

Audit Committee Meeting

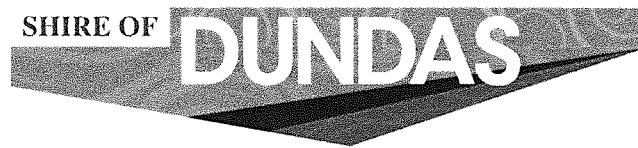
19th September 2017



Papers Relating

Table of Contents

Item Number	Item Name
5.1	Acceptance of the Auditor's Report for 2016/17
5.2	Appointment of Auditor



5.1

Acceptance of the Auditor's Report for 2016/17

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SHIRE OF DUNDAS

Report on the Financial Report

Opinion

We have audited the financial report of the Shire of Dundas, which comprises the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Dundas is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements 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.

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council's Responsibility for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.

- 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 Council 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.

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Emphasis of Matter

Without modifying our opinion, we draw attention to page 55 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

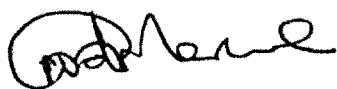
Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE
Director

Perth

Date: 13 September 2017

MVDM : CA
DUN01

13 September 2017

Mr Doug Stead
Chief Executive Officer
The Shire of Dundas
PO Box 163
DUNDAS WA 6443

Dear Doug

SHIRE OF DUNDAS

We wish to advise that we have recently completed the audit of the above mentioned Council for the year ended 30 June 2017.

The Australian Auditing and Assurance Standards Board encourages auditors to issue a management letter on completion of each audit as a means of advising Council of any matters noted during the course of the audit.

Our audit involves the review of only those systems and controls adopted by the Council upon which we wish to rely for the purposes of determining our audit procedures. Furthermore, our audit should not be relied upon to disclose defalcations or other similar irregularities, although their disclosure, if they exist, may well result from the procedures we undertake. While we have considered the control environment in accordance with Australian Auditing Standards, we have not tested controls and hence do not comment on whether systems and controls are operating effectively.

We advise that we have not encountered any other matters during the course of our audit that we believe should be brought to your attention other than the following:

Segregation of duties

We appreciate that due to the nature and size of the Shire, Management oversees all the functions within the Shire. However, given its small size, there is an inherent risk of a lack of segregation of duties within the general financial administrative process. We acknowledge Management's current efforts in implementing internal controls and would recommend that this is continually considered in order to mitigate this risk.

Authorisation of payments

Findings:

During tests performed on payments we noted that formal written quotes for certain purchases exceeding \$20,000 were not obtained as required by the Shire's purchasing policies.

Recommendation:

We recommend that three written quotes be obtained for all purchases exceeding \$20,000 in line with the Shire's purchasing policy.

Management Comment:

The Shire was aware of the payments relevant to this audit finding and acknowledge that the Shire's purchasing policy had not been followed in these instances.

Subsequent to these findings, the Shire has revised the purchasing policy and implemented more controls to ensure that proper policies and procedures are followed in procuring products and services.

Further, the agreed upon procedure audit conducted by the Butler and Settineri concluded that no evidence of fraud by misappropriation or misrepresentation had been taken place.

Annual Leave Accruals

Findings:

During tests performed on annual leave accruals we noted a significant number of employees in excess of 152 hours of accumulated leave. The risk with accumulating leave past the standard 20 days per year increases the current leave liability held at any point.

Recommendation:

We recommend the Shire implement a Leave Entitlement Policy which mandates staff to take annual leave in order to reduce excessively high balances and leave liabilities.

Management Comment:

The Shire acknowledges this audit finding. A proper policy will be developed to manage staff leave balances more effectively.

Financial ratios

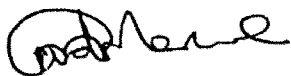
Under note 19 of the financial report, we note that the asset sustainability ratio does not meet the benchmark as set out by the Department of Local Government.

We acknowledge that this non-compliance was the result of changes in the value of non-current assets and depreciation rates being higher than expected.

We wish to thank the Shire of Dundas staff for their assistance during the audit.

Should you have any questions please do not hesitate to contact me.

Yours sincerely
BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	52
Supplementary Ratio Information	55

Principal place of business:
88-92 PRINSEP STREET
NORSEMAN WA 6443

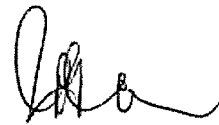
**SHIRE OF DUNDAS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 13th day of September 2017



DOUG STEAD
Chief Executive Officer

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	1,907,636	1,988,447	2,007,561
Operating grants, subsidies and contributions	30	2,750,992	1,820,931	1,047,659
Fees and charges	29	282,510	254,550	273,176
Interest earnings	2(a)	223,617	162,500	243,771
Other revenue	2(a)	175,689	177,144	261,629
		<u>5,340,444</u>	<u>4,403,572</u>	<u>3,833,796</u>
Expenses				
Employee costs		(1,926,985)	(2,100,933)	(1,736,705)
Materials and contracts		(975,349)	(810,782)	(1,205,334)
Utility charges		(186,161)	(193,743)	(185,854)
Depreciation on non-current assets	2(a)	(2,059,206)	(2,083,913)	(2,008,941)
Interest expenses	2(a)	(6,775)	(15,750)	0
Insurance expenses		(158,897)	(110,820)	(102,697)
Other expenditure		(397,391)	(153,130)	(198,325)
		<u>(5,710,764)</u>	<u>(5,469,071)</u>	<u>(5,437,856)</u>
		(370,320)	(1,065,499)	(1,604,060)
Non-operating grants, subsidies and contributions	30	1,695,959	3,115,607	3,198,271
Profit on asset disposals	21	398,756	25,183	32,242
(Loss) on asset disposals	21	0	(1,161)	(109,019)
Net result		1,724,395	2,074,130	1,517,434
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(741,603)	0	(14,563)
Total other comprehensive income		(741,603)	0	(14,563)
Total comprehensive income		<u>982,791</u>	<u>2,074,130</u>	<u>1,502,870</u>

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

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		57,101	44,658	53,175
General purpose funding		3,853,440	3,318,933	2,814,244
Law, order, public safety		96,727	31,750	40,958
Health		4,709	4,500	23,769
Education and welfare		86,212	97,000	88,029
Housing		19,983	18,300	19,669
Community amenities		193,494	144,700	154,390
Recreation and culture		116,448	66,300	71,652
Transport		667,468	454,431	256,337
Economic services		157,408	167,000	126,496
Other property and services		87,454	56,000	185,077
		<u>5,340,444</u>	<u>4,403,572</u>	<u>3,833,796</u>
Expenses	2(a)			
Governance		(679,806)	(657,368)	(727,590)
General purpose funding		(554,771)	(306,859)	(395,700)
Law, order, public safety		(180,734)	(116,748)	(130,682)
Health		(137,237)	(153,224)	(133,872)
Education and welfare		(207,141)	(229,511)	(172,105)
Housing		(75,846)	(76,603)	(82,380)
Community amenities		(495,916)	(510,008)	(490,861)
Recreation and culture		(1,039,841)	(1,122,217)	(924,045)
Transport		(1,831,650)	(1,884,440)	(1,761,665)
Economic services		(336,786)	(381,436)	(322,030)
Other property and services		(164,262)	(14,908)	(296,927)
		<u>(5,703,990)</u>	<u>(5,453,322)</u>	<u>(5,437,857)</u>
Finance costs	2(a)			
Health		(6,775)	(11,250)	0
Economic services		0	(4,500)	0
		<u>(6,775)</u>	<u>(15,750)</u>	<u>0</u>
		<u>(370,321)</u>	<u>(1,065,500)</u>	<u>(1,604,061)</u>
Non-operating grants, subsidies and contributions	30	1,695,959	3,115,607	3,198,271
Profit on disposal of assets	21	398,756	25,183	32,242
(Loss) on disposal of assets	21	0	(1,161)	(109,019)
Net result		<u>1,724,394</u>	<u>2,074,130</u>	<u>1,517,433</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(741,603)	0	(14,563)
Total other comprehensive income		<u>(741,603)</u>	<u>0</u>	<u>(14,563)</u>
Total comprehensive income		<u>982,791</u>	<u>2,074,130</u>	<u>1,502,870</u>

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

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

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	7,574,962	6,519,179
Trade and other receivables	4	548,828	437,816
TOTAL CURRENT ASSETS		<u>8,123,790</u>	<u>6,956,995</u>
NON-CURRENT ASSETS			
Other receivables	4	34,127	34,127
Property, plant and equipment	5	13,085,608	13,426,669
Infrastructure	6	64,925,886	64,159,764
TOTAL NON-CURRENT ASSETS		<u>78,045,621</u>	<u>77,620,560</u>
TOTAL ASSETS		<u>86,169,411</u>	<u>84,577,555</u>
CURRENT LIABILITIES			
Trade and other payables	7	377,378	354,098
Current portion of long term borrowings	8	44,762	0
Provisions	9	368,152	269,702
TOTAL CURRENT LIABILITIES		<u>790,292</u>	<u>623,800</u>
NON-CURRENT LIABILITIES			
Long term borrowings	8	433,305	0
Provisions	9	45,596	36,328
TOTAL NON-CURRENT LIABILITIES		<u>478,901</u>	<u>36,328</u>
TOTAL LIABILITIES		<u>1,269,193</u>	<u>660,128</u>
NET ASSETS		<u>84,900,218</u>	<u>83,917,427</u>
EQUITY			
Retained surplus		28,970,867	27,424,795
Reserves - cash backed	12	6,283,595	6,105,272
Revaluation surplus	13	49,645,757	50,387,360
TOTAL EQUITY		<u>84,900,218</u>	<u>83,917,427</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		27,691,762	4,320,872	50,401,923	82,414,557
Comprehensive income					
Net result		1,517,433	0	0	1,517,433
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>(14,563)</u>	<u>(14,563)</u>
Total comprehensive income		1,517,433	0	(14,563)	1,502,870
Transfers from/(to) reserves		(1,784,400)	1,784,400	0	0
Balance as at 30 June 2016		27,424,795	6,105,272	50,387,360	83,917,427
Comprehensive income					
Net result		1,724,394	0	0	1,724,394
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>(741,603)</u>	<u>(741,603)</u>
Total comprehensive income		1,724,394	0	(741,603)	982,791
Transfers from/(to) reserves		(178,323)	178,323	0	0
Balance as at 30 June 2017		<u>28,970,867</u>	<u>6,283,595</u>	<u>49,645,757</u>	<u>84,900,218</u>

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

SHIRE OF DUNDAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,571,649	1,988,447	1,853,174
Operating grants, subsidies and contributions				
		3,016,975	1,820,931	1,747,913
Fees and charges		310,760	254,550	273,176
Interest earnings		223,617	162,500	243,771
Goods and services tax		154,738	0	250,857
Other revenue		193,258	177,144	261,629
		<u>5,470,997</u>	<u>4,403,572</u>	<u>4,630,520</u>
Payments				
Employee costs		(1,956,008)	(2,100,933)	(1,711,687)
Materials and contracts		(896,861)	(810,783)	(1,154,255)
Utility charges		(204,777)	(193,743)	(185,854)
Interest expenses		(6,775)	(15,750)	
Insurance expenses		(174,787)	(110,820)	(102,697)
Goods and services tax		(85,789)	0	(144,914)
Other expenditure		(437,130)	(153,130)	(198,325)
		<u>(3,762,126)</u>	<u>(3,385,159)</u>	<u>(3,497,732)</u>
Net cash provided by (used in) operating activities	14(b)	<u>1,708,870</u>	<u>1,018,413</u>	<u>1,132,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,231,469)	(2,020,300)	(1,725,038)
Payments for construction of infrastructure		(2,197,353)	(5,076,376)	(2,003,516)
Non-operating grants, subsidies and contributions		1,695,959	3,115,607	3,198,271
Proceeds from sale of fixed assets		601,709	74,500	128,956
Net cash provided by (used in) investment activities		<u>(1,131,154)</u>	<u>(3,906,569)</u>	<u>(401,327)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(21,933)	(52,500)	0
Proceeds from new debentures		500,000	650,000	0
Net cash provided by (used in) financing activities		<u>478,067</u>	<u>597,500</u>	<u>0</u>
Net increase (decrease) in cash held		1,055,783	(2,290,656)	731,461
Cash at beginning of year		6,519,179	6,519,179	5,787,718
Cash and cash equivalents at the end of the year	14(a)	<u>7,574,962</u>	<u>4,228,523</u>	<u>6,519,179</u>

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

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

		2017	2017	2016
	NOTE	Actual \$	Budget \$	Actual \$
Net current assets at start of financial year - surplus/(deficit)		227,925	240,655	2,019,808
		<u>227,925</u>	<u>240,655</u>	<u>2,019,808</u>
Revenue from operating activities (excluding rates)				
Governance		445,371	65,659	53,175
General purpose funding		1,957,343	1,330,485	833,406
Law, order, public safety		96,727	31,750	40,958
Health		4,709	4,500	23,769
Education and welfare		86,212	97,000	88,029
Housing		19,983	18,300	36,577
Community amenities		193,494	144,700	154,390
Recreation and culture		116,448	66,300	71,652
Transport		677,954	458,613	271,672
Economic services		157,408	167,000	126,496
Other property and services		87,454	56,000	185,077
		<u>3,843,103</u>	<u>2,440,307</u>	<u>1,885,201</u>
Expenditure from operating activities				
Governance		(679,806)	(658,529)	(727,590)
General purpose funding		(554,770)	(306,857)	(395,699)
Law, order, public safety		(180,734)	(116,748)	(130,682)
Health		(144,012)	(164,474)	(133,872)
Education and welfare		(207,141)	(229,511)	(172,327)
Housing		(75,846)	(76,603)	(82,380)
Community amenities		(495,916)	(510,008)	(490,861)
Recreation and culture		(1,039,841)	(1,122,217)	(924,045)
Transport		(1,831,650)	(1,884,440)	(1,870,461)
Economic services		(336,786)	(385,936)	(322,030)
Other property and services		(164,262)	(14,908)	(296,927)
		<u>(5,710,764)</u>	<u>(5,470,231)</u>	<u>(5,546,874)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(398,756)	(25,183)	(32,242)
Loss on disposal of assets	21	0	1,161	109,019
Movement in deferred pensioner rates (non-current)		0	0	652
Movement in employee benefit provisions (non-current)		9,268	0	(11,692)
Depreciation and amortisation on assets	2(a)	2,059,206	2,083,913	2,008,941
Amount attributable to operating activities		<u>29,982</u>	<u>(729,378)</u>	<u>432,813</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,695,959	3,115,607	3,198,271
Proceeds from disposal of assets	21	601,709	74,500	128,956
Purchase of property, plant and equipment	5(b)	(1,231,469)	(2,020,300)	(1,725,038)
Purchase and construction of infrastructure	6(b)	(2,197,359)	(5,076,377)	(2,003,516)
Amount attributable to investing activities		<u>(1,131,160)</u>	<u>(3,906,570)</u>	<u>(401,327)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(21,933)	(52,500)	0
Proceeds from new debentures	22(a)	500,000	650,000	0
Transfers to reserves (restricted assets)	12	(691,308)	(100,000)	(1,977,218)
Transfers from reserves (restricted assets)	12	512,983	2,150,000	192,818
Amount attributable to financing activities		<u>299,742</u>	<u>2,647,500</u>	<u>(1,784,400)</u>
Surplus(deficiency) before general rates		<u>(801,436)</u>	<u>(1,988,447)</u>	<u>(1,752,914)</u>
Total amount raised from general rates	23	<u>1,896,097</u>	<u>1,988,447</u>	<u>1,980,839</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>1,094,661</u></u>	<u><u>(0)</u></u>	<u><u>227,925</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

All figures in this report are presented in Australian Dollars.

(a) Goods and Services Tax (GST)

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

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

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

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

(b) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Trade and Other Receivables

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

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

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

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	4 to 15 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
gravel sheet	5 to 10 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	50 years
Airport infrastructure	40 years
Water supply piping and drainage systems	80 years
Other infrastructure	20 to 50 years

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset.

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

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(k) Borrowing Costs

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

(l) Provisions

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

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

(m) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

(w) Adoption of New and Revised Accounting Standards

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

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

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

[AASB 10, 124 & 1049]

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

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

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

2. REVENUE AND EXPENSES	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	16,768	17,535
- Other Services	10,774	5,800
Depreciation		
Buildings - non-specialised	26,520	24,537
Buildings - specialised	208,065	197,050
Furniture and equipment	39,646	33,302
Plant and equipment	349,550	410,035
Property, plant and equipment - GVROC joint venture	4,225	
Infrastructure - Roads	916,855	844,095
Infrastructure - footpaths	87,326	83,731
Infrastructure - drainage	236,796	236,796
Infrastructure - parks and ovals	73,031	73,031
Infrastructure - other	60,949	53,349
Infrastructure - airport	56,244	53,016
	<u>2,059,206</u>	<u>2,008,941</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	6,775	
	<u>6,775</u>	<u>0</u>
Rental charges		
- Operating leases	22,294	19,995
	<u>22,294</u>	<u>19,995</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	175,689	261,629
Other	(0)	0
	<u>175,689</u>	<u>261,629</u>
	<u>2017</u>	<u>2016</u>
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	162,782	100,000
- Other funds	3,521	15,000
Other interest revenue (refer note 28)	57,314	47,500
	<u>223,617</u>	<u>162,500</u>
	<u>2016</u>	<u>Actual</u>
		\$

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Council operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

Objective:

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

Activities:

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

GENERAL PURPOSE FUNDING

Objectives:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose funding and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objectives:

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

Activities:

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

HEALTH

Objectives:

To provide an operational framework for environmental and community health.

Activities:

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

EDUCATION AND WELFARE

Objectives:

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

Activities:

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

HOUSING

Objectives:

To provide and maintain elderly resident housing.

Activities:

Provision and maintenance of elderly residents housing.

COMMUNITY AMENITIES

Objectives:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objectives:

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

Activities:

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

TRANSPORT

Objectives:

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

Activities:

Construction and maintenance of roads, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objectives:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY & SERVICES

Objectives:

To monitor and control council's overheads operating accounts.

Activities:

Private work private works operation, plant repairs and operation costs and engineering operating costs.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15	Received ⁽²⁾ 2015/16	Expended ⁽³⁾ 2015/16	Closing Balance ⁽¹⁾ 30/06/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance 30/06/17
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
CLGF (12/13) - Various	26,514			26,514			26,514
Transport							
Gold Fields Revitalisation Fund - Upgrade Norseman Airstrip		450,000	(100,000)	350,000	0	0	350,000
Regional Aviation Access Programme - Upgrade Norseman Airstrip		1,450,000	0	1,450,000	0	(307,633)	1,142,367
Total	<u>26,514</u>	<u>1,900,000</u>	<u>(100,000)</u>	<u>1,826,514</u>	<u>0</u>	<u>(307,633)</u>	<u>1,518,881</u>

Notes:

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

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

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

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

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,291,367	413,909
Restricted		<u>6,283,595</u>	<u>6,105,270</u>
		<u><u>7,574,962</u></u>	<u><u>6,519,179</u></u>

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

Leave reserve	12	346,656	337,524
Plant reserve	12	758,133	738,162
Aerodrome reserve	12	139,024	135,362
IT reserve	12	91,236	88,833
Unspent grant reserve	12	49,416	0
Transport reserve	12	1,704,083	1,659,193
Land development reserve	12	1,676,166	1,319,682
Unspent grants	2(c)	<u>1,518,881</u>	<u>1,826,514</u>
		<u><u>6,283,595</u></u>	<u><u>6,105,270</u></u>

	2017 \$	2016 \$
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4. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding		833,924	497,937
Sundry debtors		86,521	36,088
GST receivable		1,039	0
Provision for doubtful debt		<u>(372,656)</u>	<u>(96,209)</u>
		<u><u>548,828</u></u>	<u><u>437,816</u></u>

Non-current

Rates outstanding - pensioners		<u>34,127</u>	<u>34,127</u>
		<u><u>34,127</u></u>	<u><u>34,127</u></u>

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

Rates outstanding		<u>833,924</u>	<u>497,937</u>
Includes:			
Past due and not impaired		461,268	401,728
Impaired		<u>372,656</u>	<u>96,209</u>
		<u><u>86,521</u></u>	<u><u>36,088</u></u>
Sundry debtors			
Includes:			
Past due and not impaired		1,050	0
Impaired		<u>0</u>	<u>0</u>

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

	2017	2016
	\$	\$
5 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2017 - level 2	512,000	453,000
	<u>512,000</u>	<u>453,000</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	35,000	450,000
	<u>35,000</u>	<u>450,000</u>
	<u>547,000</u>	<u>903,000</u>
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	1,335,000	1,190,000
- Additions after valuation - cost	0	171,210
Less: accumulated depreciation	<u>0</u>	<u>(46,208)</u>
	1,335,000	1,315,002
Buildings - specialised at:		
- Independent valuation 2017 - level 3	8,845,780	7,903,900
- Additions after valuation - cost	0	1,087,700
Less: accumulated depreciation	<u>0</u>	<u>(383,586)</u>
	8,845,780	8,608,014
	<u>10,180,780</u>	<u>9,923,016</u>
Total land and buildings	<u>10,727,780</u>	<u>10,826,016</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	170,089	170,089
- Additions after valuation - cost	21,958	0
Less: accumulated depreciation	<u>(39,646)</u>	<u>0</u>
	152,401	170,089
Plant and equipment at:		
- Management valuation 2016 - level 2	2,346,064	2,346,064
- Additions after valuation - cost	180,614	0
- Disposal after valuation	(51,977)	0
Less: accumulated depreciation	<u>(349,550)</u>	<u>0</u>
	2,125,152	2,346,064
Property, plant and equipment - GVROC joint venture at:		
- Management valuation 2016 - level 3	84,500	84,500
Less: accumulated depreciation	<u>(4,225)</u>	<u>0</u>
	80,275	84,500
	<u>13,085,608</u>	<u>13,426,669</u>

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

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

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	453,000	0	0	59,000	0	0	0	0	512,000
Land - vested in and under the control of Council	450,000	0	0	(415,000)	0	0	0	0	35,000
Total land	903,000	0	0	(356,000)	0	0	0	0	547,000
Buildings - non-specialised	1,315,002	796,191	0	(749,670)	0	0	(26,520)	0	1,335,000
Buildings - specialised	8,608,014	232,707	(150,976)	364,067	0	0	(208,065)	0	8,845,780
Total buildings	9,923,016	1,028,897	(150,976)	(385,603)	0	0	(234,585)	0	10,180,780
Total land and buildings	10,826,016	1,028,897	(150,976)	(741,603)	0	0	(234,585)	0	10,727,780
Furniture and equipment	170,089	21,958	0	0	0	0	(39,646)	0	152,401
Plant and equipment	2,346,064	180,614	(51,977)	0	0	0	(349,550)	0	2,125,152
Property, plant and equipment - GVROC joint venture	84,500	0	0	0	0	0	(4,225)	0	80,275
Total property, plant and equipment	13,426,669	1,231,469	(202,952)	(741,603)	0	0	(628,006)	0	13,085,608

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

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	Level 2	Market approach - Independent valuation	Sales comparison	June 2017	Market value of similar properties
Land - vested in and under the control of Council	Level 3	Cost approach - Independent valuation	Replacement cost	June 2017	Income Capitalisation Approach
Buildings - non-specialised	Level 2	Market approach - Independent valuation	Sales comparison	June 2017	Market value of similar properties
Buildings - specialised	Level 3	Cost approach - Independent valuation	Replacement cost	June 2017	Gross current replacement cost (GCRC), estimated economic working life (EEWL), estimated remaining life years (ERLY).
Furniture and equipment					
	Level 3	Cost approach - Management valuation	Replacement cost	July 2016	Current replacement cost, estimated economic working life, estimated remaining life years
Plant and equipment					
	Level 3	Cost approach - Management valuation	Replacement cost	July 2016	Current replacement cost, estimated economic working life, estimated remaining life years
Property, plant and equipment - GVROC joint venture					
	Level 3	Cost approach - Management valuation	Replacement cost	July 2016	Current replacement cost, estimated economic working life, estimated remaining life years

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

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

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

	2017	2016
	\$	\$
6 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Independent valuation 2015 - level 3	68,343,261	68,343,260
- Additions after valuation - cost	2,532,695	1,547,224
Less: accumulated depreciation	<u>(12,836,637)</u>	<u>(11,919,782)</u>
	58,039,319	57,970,702
Infrastructure - footpaths		
- Independent valuation 2015 - level 3	3,349,225	3,349,224
- Additions after valuation - cost	143,840	143,840
Less: accumulated depreciation	<u>(1,396,638)</u>	<u>(1,309,312)</u>
	2,096,427	2,183,752
Infrastructure - drainage		
- Independent valuation 2015 - level 3	3,158,544	3,158,544
Less: accumulated depreciation	<u>(1,598,986)</u>	<u>(1,362,191)</u>
	1,559,558	1,796,353
Infrastructure - parks and ovals		
- Independent valuation 2015 - level 3	2,021,000	2,021,000
- Additions after valuation - cost	82,548	0
Less: accumulated depreciation	<u>(1,097,162)</u>	<u>(1,024,131)</u>
	1,006,386	996,869
Infrastructure - other		
- Independent valuation 2015 - level 3	1,433,000	1,433,000
- Additions after valuation - cost	288,306	230,317
Less: accumulated depreciation	<u>(903,298)</u>	<u>(842,348)</u>
	818,008	820,969
Infrastructure - airport		
- Independent valuation 2015 - level 3	1,349,000	1,349,000
- Additions after valuation - cost	1,153,447	82,134
Less: accumulated depreciation	<u>(1,096,259)</u>	<u>(1,040,015)</u>
	1,406,188	391,119
	<u>64,925,886</u>	<u>64,159,764</u>

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

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

6. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions (Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	57,970,702	985,471	0	0	0	(916,855)	0	58,039,319
Infrastructure - footpaths	2,183,752	0	0	0	0	(87,326)	0	2,096,427
Infrastructure - drainage	1,796,353	0	0	0	0	(236,796)	0	1,559,558
Infrastructure - parks and ovals	996,869	82,548	0	0	0	(73,031)	0	1,006,386
Infrastructure - other	820,969	57,988	0	0	0	(60,949)	0	818,008
Infrastructure - airport	391,119	1,071,348	0	0	0	(56,244)	0	1,406,188
Total infrastructure	64,159,764	2,197,355	0	0	0	(1,431,200)	0	64,925,886

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

6. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	Level 3	Cost approach	Depreciated replacement cost	June 2015	Standard replacement cost (SRC), total useful lives (TUL), residual value (RV), remaining useful lives (RUL), expected condition and Actual condition
Infrastructure - footpaths	Level 3	Cost approach	Depreciated replacement cost	June 2015	Standard replacement cost (SRC), total useful lives (TUL), residual value (RV), remaining useful lives (RUL), expected condition and Actual condition
Infrastructure - drainage	Level 3	Cost approach	Depreciated replacement cost	June 2015	Gross current replacement cost (GCRC), estimated economic working life (EEWL), estimated remaining life years (ERLY), residual value (RV)
Infrastructure - parks and ovals	Level 3	Cost approach	Depreciated replacement cost	June 2015	Gross current replacement cost (GCRC), estimated economic working life (EEWL), estimated remaining life years (ERLY), residual value (RV)
Infrastructure - other	Level 3	Cost approach	Depreciated replacement cost	June 2015	Gross current replacement cost (GCRC), estimated economic working life (EEWL), estimated remaining life years (ERLY), residual value (RV)
Infrastructure - airport	Level 3	Cost approach	Depreciated replacement cost	June 2015	Gross current replacement cost (GCRC), estimated economic working life (EEWL), estimated remaining life years (ERLY), residual value (RV)

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

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

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

	2017	2016
	\$	\$
7. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	237,552	217,357
ATO liabilities	0	136,741
Accrued expenses	139,826	0
	<u>377,378</u>	<u>354,098</u>

8. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	44,762	0
	<u>44,762</u>	<u>0</u>
Non-current		
Secured by floating charge		
Debentures	433,305	0
	<u>433,305</u>	<u>0</u>

Additional detail on borrowings is provided in Note 22.

9. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	171,378	98,324	269,702
Non-current provisions	0	36,328	36,328
	<u>171,378</u>	<u>134,652</u>	<u>306,030</u>
Additional provision	55,446	51,004	106,450
Amounts used	0	1,268	1,268
Balance at 30 June 2017	<u>226,824</u>	<u>186,924</u>	<u>413,748</u>
Comprises			
Current	226,824	141,328	368,152
Non-current	0	45,596	45,596
	<u>226,824</u>	<u>186,924</u>	<u>413,748</u>

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

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance	Actual 2017 Transfer to	Actual 2017 Closing Balance	Budget 2017 Opening Balance	Budget 2017 Transfer to	Budget 2017 Closing Balance	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Closing Balance
Leave reserve	\$ 337,524	\$ 9,132	\$ 346,656	\$ 337,524	\$ 8,534	\$ 346,058	\$ 323,614	\$ 13,910	\$ 337,524
Plant reserve	738,162	19,971	758,133	738,162	18,663	756,825	707,741	30,421	738,162
Aerodrome reserve	135,362	3,662	139,024	135,362	3,422	138,784	129,784	5,578	135,362
IT reserve	88,833	2,403	91,236	88,833	2,246	91,079	85,172	3,661	88,833
Unspent grant reserve	1,826,514	49,416	1,568,297	1,826,514	670	27,184	26,514	1,800,000	1,826,514
Transport reserve	1,659,194	44,889	1,704,083	1,659,195	39,421	1,588,616	1,594,347	64,847	1,659,194
Land development reserve	1,319,681	561,835	1,676,166	1,319,682	27,044	1,096,726	1,453,698	58,801	1,319,681
	6,105,270	691,308	6,283,595	6,105,272	100,000	4,055,272	4,320,870	1,977,218	6,105,270
			(512,983)	(2,150,000)	(192,818)	(192,818)			

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.

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	Not planned	- to be used to fund annual and long service leave requirements.
Plant reserve	Not planned	- to be used for the purchase of major plant.
Aerodrome reserve	Not planned	- to be used for the maintenance of the airstrip at Norseman.
IT reserve	Not planned	- to be used to purchase and replace computer equipment.
Unspent grant reserve	End of 2017/18	- to be used for completion of projects.
Transport reserve	Not planned	- to be used for the construction, maintenance and resale of the Shire's transport network.
Land development reserve	Not planned	- to be used for the building, construction and maintenance of the Shire's land and buildings.

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

13. REVALUATION SURPLUS

	2017			2017			2016			2016				
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation
Land and buildings	5,085,370	0	(741,603)	(741,603)	4,343,767	5,085,370	0	0	0	5,085,370	5,085,370	0	0	0
Furniture and equipment	41,774	0	0	0	41,774	41,774	0	0	0	41,774	41,774	0	0	0
Plant and equipment	81,645	0	0	0	81,645	112,784	0	(31,138)	(31,138)	81,645	112,784	0	(31,138)	(31,138)
Property, plant and equipment - GVROC joint venture	16,575	0	0	0	16,575	0	16,575	0	16,575	16,575	0	16,575	0	16,575
Infrastructure - Roads	41,151,755	0	0	0	41,151,755	41,151,755	0	0	0	41,151,755	41,151,755	0	0	0
Infrastructure - footpaths	2,123,643	0	0	0	2,123,643	2,123,643	0	0	0	2,123,643	2,123,643	0	0	0
Infrastructure - drainage	1,380,390	0	0	0	1,380,390	1,380,390	0	0	0	1,380,390	1,380,390	0	0	0
Infrastructure - parks and ovals	103,683	0	0	0	103,683	103,683	0	0	0	103,683	103,683	0	0	0
Infrastructure - other	260,793	0	0	0	260,793	260,793	0	0	0	260,793	260,793	0	0	0
Infrastructure - airport	141,733	0	0	0	141,733	141,733	0	0	0	141,733	141,733	0	0	0
	50,387,360	0	(741,603)	(741,603)	49,645,757	50,401,923	16,575	(31,138)	(14,563)	50,387,360	50,387,360	16,575	(31,138)	(14,563)

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>7,574,962</u>	<u>4,228,523</u>	<u>6,519,179</u>

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

Net result	1,724,395	2,074,130	1,517,434
Non-cash flows in Net result:			
Depreciation	2,059,206	2,083,913	2,008,941
(Profit)/Loss on sale of asset	(398,756)	(24,022)	76,776
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(111,013)		545,864
(Increase)/Decrease in inventories	0		10,875
Increase/(Decrease) in payables	23,280		169,560
Increase/(Decrease) in provisions	107,718		1,609
Grants contributions for the development of assets	<u>(1,695,959)</u>	<u>(3,115,607)</u>	<u>(3,198,271)</u>
Net cash from operating activities	<u>1,708,870</u>	<u>1,018,413</u>	<u>1,132,788</u>

(c) Undrawn Borrowing Facilities

	2017	2016
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	12,000	12,000
Credit card balance at balance date	<u>(476)</u>	<u>(8,572)</u>
Total amount of credit unused	<u>11,524</u>	<u>3,428</u>
Loan facilities		
Loan facilities - current	44,762	0
Loan facilities - non-current	<u>433,305</u>	<u>0</u>
Total facilities in use at balance date	<u>478,067</u>	<u>0</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

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

15. CONTINGENT LIABILITIES

There were no contingent liabilities against the Shire as at 30th June 2017.

16. CAPITAL AND LEASING COMMITMENTS	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	34,200	52,800
- later than one year but not later than five years	89,650	146,600
- later than five years		0
	123,850	199,400

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	2,300,000	3,167,866
- plant & equipment purchases	0	65,000
Payable:		
- not later than one year	2,300,000	1,648,933

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the new Norseman airport.

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

17. JOINT VENTURE ARRANGEMENTS

The Shire together with the Shire's of Esperance, Coolgardie, Laverton, Leonora, Menzies, Ngaanyatjarraku, Ravensthorpe, Wiluna and the City of Kalgoorlie have a joint venture arrangement with regard to the provision of a regional record service. The assets included in the joint venture recorded at councils one-tenth share are as follows .

	2017	2016
	\$	\$
Non-current assets		
Land and buildings	69,416	69,416
Less: accumulated depreciation	<u>(2,305)</u>	<u>0</u>
	<u><u>67,111</u></u>	<u><u>69,416</u></u>
Plant and machinery	7,940	7,940
Less: accumulated depreciation	<u>(924)</u>	<u>0</u>
	<u><u>7,016</u></u>	<u><u>7,940</u></u>
Plant and equipment	4,047	4,047
Less: accumulated depreciation	<u>(513)</u>	<u>0</u>
	<u><u>3,534</u></u>	<u><u>4,047</u></u>
Light vehicles	3,097	3,097
Less: accumulated depreciation	<u>(483)</u>	<u>0</u>
	<u><u>2,614</u></u>	<u><u>3,097</u></u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Unallocated	<u>86,169,409</u>	<u>84,577,557</u>
	<u><u>86,169,409</u></u>	<u><u>84,577,557</u></u>

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

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	4.15	2.41	13.33
Asset sustainability ratio	0.65	1.72	2.93
Debt service cover ratio	72.96	N/A	N/A
Operating surplus ratio	0.01	(0.60)	0.49
Own source revenue coverage ratio	0.52	0.51	0.67

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 55 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$778,075.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$778,392.

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

	2017	2016	2015
Current ratio	2.39	4.60	9.12
Operating surplus ratio	-0.25	-0.32	0.19
Debt service cover ratio	45.85	N/A	N/A

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

20. TRUST FUNDS

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

	1 July 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Community Resource Centre	134,524	186,762	(199,623)	121,663
Builders Registration	669	2,038	(2,769)	(62)
Chamber Of Commerce	2,650	0	0	2,650
Demolition Deposits	500	1,000	(500)	1,000
Excess (Overpaid) Rates	3,344	520	(971)	2,893
Gym Key Deposits	3,820	3,200	(3,420)	3,600
Hall Deposits	1,200	1,020	(2,220)	0
Tennis Key Deposit	160	600	(160)	600
BCITF (Building Con. Indu. Trai. Fund)	904	3,010	(904)	3,010
Library (Toy)	483	0	0	483
Community Garden	-	2,539	0	2,539
Licensing (Transport)	1,228	38,809	0	40,037
Raffle Tickets	1,061	0	(1,061)	0
Bank Interest	261	22	0	283
	<u>150,804</u>			<u>178,696</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale / Insurance Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale / Insurance Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
CEO vehicle (A888)	34,929	41,364	6,435	0	26,498	47,500	21,002	0
DCEO vehicle (A953)	14,806	19,091	4,285	0	13,161	12,000	0	(1,161)
Eucla community hall - Fire damage (A728)	150,976	528,527	377,551	0				
Transport								
Team Leader UTE (A837)	2,241	12,727	10,486	0	10,819	15,000	4,181	0
	<u>202,952</u>	<u>601,709</u>	<u>398,756</u>	<u>0</u>	<u>50,477</u>	<u>74,500</u>	<u>25,183</u>	<u>(1,161)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal	Principal	Interest
	1 July	Loans	Repayments	30 June 2017	Repayments
	\$	\$	Actual	Budget	Actual
Health					
Construction of a new residential dwellir	0	500,000	21,933	37,500	478,067
Economic services					
Old Post office - Acquisition			15,000	0	135,000
	0	500,000	21,933	52,500	478,067
				597,500	6,775
					15,750

(b) New Debentures - 2016/17

Particulars/Purpose	Amount Borrowed	Institution	Loan	Term	Total	Interest	Interest	Amount Used	Balance
	Actual								
	\$		Type	(Years)	\$	%	\$	\$	\$
Construction of a new residential dwellir	500,000	Western Australian Treasury Corporation	Fixed Term	10	74,166	2.73%	500,000	500,000	0
	500,000				74,166		500,000	500,000	0

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Shire does not have an overdraft facility in place.

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

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Gross rental value valuations												
		0.1555	535	3,263,935	507,643	(6,079)	185	501,749	508,700	0	0	508,700
	GRV - Townsites											0
	GRV - Roadhouses	0.1838	9	937,860	172,397	0	0	172,397	172,397	0	0	172,397
	GRV - Mining	0.2304	2	383,000	88,228	0	0	88,228	137,151	0	0	137,151
Unimproved value valuations												
	UV - Pastoral	0.0397	13	679,628	27,005	536	0	27,541	27,005	0	0	27,005
	UV - Mining Leases	0.1360	132	5,909,991	803,711	20,047	0	823,758	803,751	0	0	803,751
	UV - Exploration Leases	0.1360	98	1,606,402	218,457	(53,074)	39	165,422	216,092	0	0	216,092
	UV - Prospecting Leases	0.1360	41	92,848	12,627	(4,635)	0	7,992	12,627	0	0	12,627
	Sub-Total		830	12,873,664	1,830,068	(43,205)	224	1,787,087	1,877,723	0	0	1,877,723
Minimum payment												
		342	145	74,869	49,590	0	0	49,590	49,590	0	0	49,590
Gross rental value valuations												
	GRV Townsites											
	Unimproved value valuations											
	UV - Pastoral	342	7	91,408	2,394	0	0	2,394	2,394	0	0	2,394
	UV - Mining Leases	342	51	45,544	17,442	0	0	17,442	17,442	0	0	17,442
	UV - Exploration Leases	342	48	22,979	16,417	0	(49)	16,368	17,442	0	0	17,442
	UV - Prospecting Leases	284	82	93,303	23,288	0	(72)	23,216	23,856	0	0	23,856
	Sub-Total		333	328,103	109,131	0	(121)	109,010	110,724	0	0	110,724
Total amount raised from general rate												
	Movement in Excess Rates		1,163	13,201,767	1,939,199	(43,205)	103	1,896,097	1,988,447	0	0	1,988,447
	Totals							1,896,097				1,988,447
								<u>11,539</u>				<u>0</u>
								<u>1,907,636</u>				<u>1,988,447</u>

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

24. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>1,094,663</u>	<u>227,925</u>	<u>227,925</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,291,367	413,909	413,909
Restricted	6,283,595	6,105,270	6,105,270
Receivables			
Rates outstanding	833,924	497,937	497,937
Sundry debtors	86,521	36,088	36,088
GST receivable	1,039	0	0
Provision for doubtful debt	(372,656)	(96,209)	(96,209)
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(237,552)	(217,357)	(217,357)
ATO liabilities	0	(136,741)	(136,741)
Accrued expenses	(139,826)	0	0
Current portion of long term borrowings			
Secured by floating charge	(44,762)	0	0
Provisions			
Provision for annual leave	(226,824)	(171,378)	(171,378)
Provision for long service leave	(141,328)	(98,324)	(98,324)
Unadjusted net current assets	<u>7,333,496</u>	<u>6,333,195</u>	<u>6,333,195</u>
Adjustments			
Less: Reserves - restricted cash	(6,283,595)	(6,105,270)	(6,105,270)
Add: Secured by floating charge	44,762	0	0
Adjusted net current assets - surplus/(deficit)	<u>1,094,663</u>	<u>227,925</u>	<u>227,925</u>

Difference

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

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

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

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

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

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

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

The Shire has not granted any discount, incentive or concession on rates during the 2016/17 financial year.

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	23 August 16	0.00	0.00%	7.50%
Option Two				
First Instalment	23 August 16	0.00	0.00%	7.50%
Second Instalment	25 October 16	7.00	5.50%	7.50%
Option Three				
First Instalment	23 August 16	0.00	0.00%	7.50%
Second Instalment	25 October 16	7.00	5.50%	7.50%
Third Instalment	16 January 17	7.00	5.50%	7.50%
Fourth Instalment	20 March 17	7.00	5.50%	7.50%
			Revenue	Budgeted
			\$	Revenue
Interest on unpaid rates			54,124	40,000
Interest on instalment plan			3,190	7,500
Charges on instalment plan			1,883	5,000
			<u>59,197</u>	<u>52,500</u>

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

29. FEES & CHARGES	2017	2016
	\$	\$
Governance	16,041	16,053
General purpose funding	4,018	4,265
Law, order, public safety	3,887	4,470
Health	4,709	23,769
Housing	19,983	19,669
Community amenities	191,215	148,494
Recreation and culture	10,408	13,966
Transport	237	0
Economic services	24,418	27,061
Other property and services	7,594	15,428
	<u>282,510</u>	<u>273,176</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	330	0
General purpose funding	1,715,473	548,344
Law, order, public safety	92,440	36,488
Education and welfare	86,212	87,946
Community amenities	2,280	5,896
Recreation and culture	106,040	57,704
Transport	666,903	256,337
Economic services	1,455	1,455
Other property and services	79,860	53,489
	<u>2,750,992</u>	<u>1,047,659</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	92,000	0
Community amenities	0	84,137
Recreation and culture	130,000	0
Transport	1,473,959	2,970,801
Economic services	0	143,333
	<u>1,695,959</u>	<u>3,198,271</u>
	<u>4,446,951</u>	<u>4,245,930</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>27</u>	<u>27</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	13,150	15,000	14,196
President's allowance	12,000	12,000	12,000
Deputy President's allowance	3,000	3,000	3,000
Travelling expenses	4,170	10,000	8,009
	<u>32,320</u>	<u>40,000</u>	<u>37,205</u>

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

33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017
\$

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

Short-term employee benefits	288,641
Post-employment benefits	45,824
Other long-term benefits	8,419
	342,884

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

The Shire together with the Shire's of Esperance, Coolgardie, Laverton, Leonora, Menzies, Ngaanyatjarraku, Ravensthorp, Wiluna and the City of Kalgoorlie have a joint venture arrangement with regard to the provision of a regional record service. The only asset is a building and Council's one-tenth share is included in Property, Plant and Equipment.

For details of interests held in joint venture entities refer to Note 17.

Transactions with related parties

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

The following transactions occurred with related parties:

2017
\$

Associated companies/individuals:

Sale of goods and services	6,545
Purchase of goods and services	41,884

Amounts payable to related parties:

Trade and other payables	1,540
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Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

34. MAJOR LAND TRANSACTIONS

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

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

36. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	7,574,962	6,519,179	7,574,962	6,519,179
Receivables	<u>582,955</u>	<u>471,943</u>	<u>582,955</u>	<u>471,943</u>
	<u><u>8,157,917</u></u>	<u><u>6,991,122</u></u>	<u><u>8,157,917</u></u>	<u><u>6,991,122</u></u>
Financial liabilities				
Payables	377,378	354,098	377,378	354,098
Borrowings	<u>478,067</u>	<u>0</u>	<u>473,707</u>	<u>0</u>
	<u><u>855,445</u></u>	<u><u>354,098</u></u>	<u><u>851,085</u></u>	<u><u>354,098</u></u>

Fair value is determined as follows:

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

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	75,750	65,192
- Statement of Comprehensive Income	75,750	65,192

Notes:

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

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	42%
- Overdue	100%	58%
Percentage of other receivables		
- Current	99%	55%
- Overdue	1%	45%

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	377,378	0	0	377,378	377,378
Borrowings	44,762	191,599	241,706	478,067	478,067
	<u>422,140</u>	<u>191,599</u>	<u>241,706</u>	<u>855,445</u>	<u>855,445</u>
<u>2016</u>					
Payables	354,098	0	0	354,098	354,098
Borrowings	0	0	0	0	0
	<u>354,098</u>	<u>0</u>	<u>0</u>	<u>354,098</u>	<u>354,098</u>

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	478,067	478,067	2.73%
Weighted average Effective interest rate	N/A	N/A	N/A	N/A	N/A	2.71%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	0	0	N/A
Weighted average Effective interest rate	N/A	N/A	N/A	N/A	N/A	N/A		

SHIRE OF DUNDAS
INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

INDEPENDENT AUDIT REPORT



BUTLER SETTINERI

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SHIRE OF DUNDAS

Report on the Financial Report

Opinion

We have audited the financial report of the Shire of Dundas, which comprises the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Chief Executive Officer.

In our opinion, the financial report of the Shire of Dundas is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Shire in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements 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.

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6369 5222
Fax : (08) 6380 5255
mail@butlerstetineri.com.au
www.butlerstetineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Australia) Pty Ltd
RCA No. 200109 AIN 61 112 342 070
Entity listed and scheme approved under Professional Standards Legislation

Proactive • Quality • Supportive

**SHIRE OF DUNDAS
INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

INDEPENDENT AUDIT REPORT (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Council's Responsibility for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Shire to cease to continue as a going concern.

**SHIRE OF DUNDAS
INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

INDEPENDENT AUDIT REPORT (Continued)

- 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 Council 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.

We also provide Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Emphasis of Matter

Without modifying our opinion, we draw attention to page 55 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

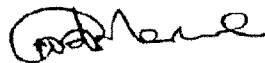
Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE
Director

Perth
Date: 13 September 2017

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

RATIO INFORMATION

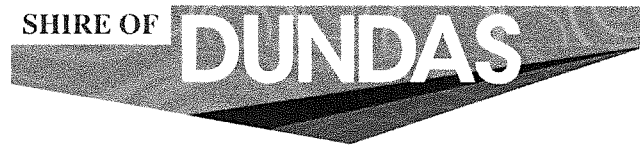
The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2017	2016	2015
Asset consumption ratio	0.80	0.81	0.82
Asset renewal funding ratio	0.78	0.96	Not Calculated

The above ratios are calculated as follows:

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

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5.2

Appointment of Auditor

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Our Ref: 2689-15; E1651443

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 31-2016

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2016

In March 2016, local governments were notified of the Liberal National Government's proposal for the Auditor General to undertake financial and performance audits of the local government sector.

It was proposed that the Auditor General and the Office of the Auditor General take responsibility for local government financial audits from 1 July 2017. Local governments were requested not to extend or renew audit contracts past the 2016-17 audit in anticipation of the *Local Government Amendment (Auditing) Bill 2016* taking effect.

On 25 August 2016 the *Local Government Amendment (Auditing) Bill 2016* was introduced into the Legislative Assembly. However, the Bill will not pass before the dissolution of Parliament.

With the State election scheduled for March 2017, local governments are encouraged to extend or renew audit contracts until the 2017-18 audit, with the option of annual extensions.

If you have any questions, please contact the department on 6551 8700 or via email legislation@dlgc.wa.gov.au.

A handwritten signature in black ink, appearing to read 'J Mathews'.

Jennifer Mathews
DIRECTOR GENERAL

12 December 2016

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MvdM: RH

19 July 2017

Mr D Stead
Chief Executive Officer
Shire of Dundas
PO Box 163
NORSEMAN WA 6443

Dear Doug

CONTRACT EXTENSION – STATUTORY AUDIT SERVICES SHIRE OF DUNDAS

Butler Settineri (Audit) Pty Ltd would like to request the extension of our existing contract with the Shire of Dundas in relation to the supply of Statutory Audit Services for the 2017/18 period, as per the existing terms and conditions.

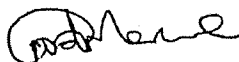
Our estimated fee for the provision of services for the Shire of Dundas are as follows:

- | | |
|-------------------------------------------------|---------|
| • 2017/18 (first two grant acquittals Included) | \$9,500 |
| • Additional Grant Acquittals | \$ 800 |

These fees are exclusive of disbursements and GST.

Should you require any further information please contact me on (08) 6389 5222.

Yours sincerely
BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

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MVDM: MZN
DUND01

30 October 2014

Richard Brookes
Chief Executive Officer
Shire of Dundas
PO Box 163
DUNDAS WA 6443

Dear Richard

SHIRE OF DUNDAS

Objective and Scope

You have requested that we audit the financial report of Shire of Dundas which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory notes and the Statement of Chief Executive Officer.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial report.

The responsibilities of the auditor

We will conduct our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that even some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our assessments, we consider internal control relevant to the entity's preparation of the financial report 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.

The responsibilities of Councillors and management and identification of the applicable financial reporting framework

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

- (a) for the preparation of the financial report that gives a true and fair view in accordance with the Local Government Act 1995 as amended ("the Act"), Local Government (Financial Management) Regulations 1996 as amended ("the Regulations") and applicable Australian Accounting Standards.
- (b) for such internal control as Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
- (c) to provide us with:
 - (i) access to all information of which the Councillors and management are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that we may request from the Councillors and management for the purpose of the audit; and
 - (iii) unrestricted access to persons within the Shire from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request written confirmation from the Councillors concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

Reporting

The form and content of our report may need to be amended in the light of our audit findings.

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Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the professional accounting bodies in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the professional accounting bodies, we shall notify you on a timely basis.

Presentation of the financial report on the Internet

It is our understanding that the Shire intends to publish a hard copy of the audited financial report for lodgement and to electronically present the audited financial report and the auditor report on its internet website. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the company to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Shire's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the Councillors.

Fees

Our fees are as per our audit proposal for the three year period 1 July 2014 to 30 June 2017 and will be billed as work progress on a time spent basis.

Other

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements of our audit of the financial report.

Yours sincerely
BUTLER SETTINERI (AUDIT) PTY LTD




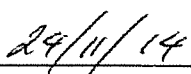
MARIUS VAN DER MERWE CA
Director

Acknowledged on behalf of Shire of Dundas by

Signed: _____

Name: _____

Date: _____


Riccarda Brookes


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**A PROPOSAL TO:
SHIRE OF DUNDAS**

**Statutory Audit Quotation
1 July 2014 - 30 June 2017**

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Corr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mailto:mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Aust) Pty Ltd ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

Proactive • Quality • Supportive

Index

Company profile	1
Vision, Mission & Core value	2
Core values	2
Expertise	3
History	4
Audit & assurance services	5
Independence	6
Our understanding of your needs.....	6
Referees.....	8
Proposed fee structure.....	9
Audit time and visits to Council	10
Corporate social responsibility	11
Methodology used to undertake audit.....	12
Contact details	14
Specified personnel.....	15
Execution by respondent.....	18

Company profile



Butler Settineri was established in the mid 1980's and is West Australian based and owned. Butler Settineri has enjoyed a reputation for providing clients with integrated Auditing, Accounting and Financial Services advice.

Our aim is to be a leading financial and business services provider.

We will be 'Partners in Business' and aim to listen to and understand our clients' needs and then strive to not only meet, but to exceed those expectations.

We are fully committed to building relationships with clients and ensuring that we assist our clients to meet their business goals.

Vision, Mission & Core value

We will maximize positive impact on the business and personal success of clients by delivering quality and timely service.

⇒ We will develop key relationships, and be dedicated to providing knowledgeable solutions that will exceed the expectation of our clients.

Core values

Butler Settineri is a professional business services provider. We aim to deliver value beyond clients' expectations. We achieve this goal by taking pride in our work, and always respecting our client and fellow team members. We are responsible for exercising good judgment and maintain excellent ethical behavior as we all work towards a common business objective.

Our clients and colleagues trust us to use our professionalism and integrity and we will maintain our reputation of delivering excellence.

We will be responsible in the confidential use of our clients' information.

There are **People** behind the numbers, who

- ⇒ Take Ownership
- ⇒ Respect and acknowledge others
- ⇒ Strive for continual Improvement
- ⇒ Work as a Team
- ⇒ Act with Integrity & Independence at all times
- ⇒ Create Value - Provide Solutions
- ⇒ Timely, honest and open Communication

We have **Fun**, **Enjoy** what we do and
Celebrate success

Proactive

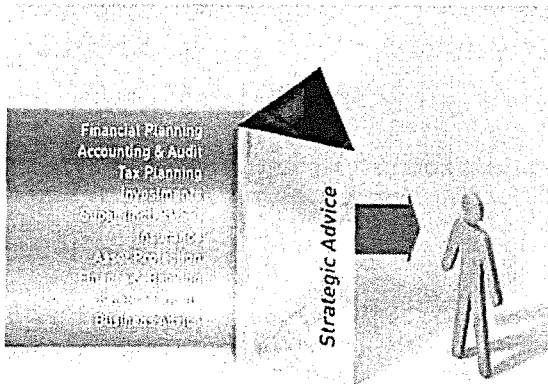
Quality

Supportive

Expertise

The partners and staff at Butler Settineri enjoy what they do. The partners use that passion to assist both their employees and clients to feel the same way about their careers and businesses. The partners and their teams are driven by educating their clients and believe their business is a means to provide resources to help them achieve their personal goals. Client assignments concentrate on identifying and pursuing these goals.

Butler Settineri offers a range of services to assist clients at all levels of their business. This includes audit & assurance services for a wide range of entities; accounting and business services; taxation planning and advice; financial planning; investment advice; business development and coaching; asset protection; self-managed superannuation fund assistance; and life insurance and wealth protection.



Service delivery model

The Team Approach

⇒ You will have continuous access to a qualified team of professional staff at all times

The Service Delivery

⇒ The partner is the principal point of contact and co-ordinates the delivery of services on time and on budget

Through integration and access to combined expertise, we can identify and address issues due to our knowledge of your business and operations.

The difference between Butler Settineri and other accounting firms is in our commitment to superior personalised client service and a full range of specialist divisions tailored to assist our clients in every possible way.

History

Butler Settineri was established in the mid 1980's with two partners and three staff. Today the firm has seven partners and forty five staff. Three of the partners have been together since 1988. The remaining partners joined between 1995 and 2011.

Butler Settineri has a broad base of tax, accounting and audit clients with no client representing more than 2% of total fees. The tax division has been fully committed to helping clients with the ongoing changes to the taxation system including GST and PAYG. We provide a wide range of accounting services for clients requiring monthly, quarterly, half yearly and annual accounts.

As a strategy for the future, we established an Investment Advisory arm in association with a large national group based in Melbourne. We also have a Superannuation Advisory division dealing in Self-Managed Superannuation Funds. This strategy has proven to be very successful, as clients feel confident in receiving independent quality advice to enable them to plan for their future wealth creation and for their retirement.

Butler Settineri (Audit) Pty Ltd

Although the firm has been involved with audit engagements from its inception, a separate audit and assurance division was created as of January 2001. We have established a team of senior professional staff who have extensive experience.

We incorporated our audit practice on 1 July 2005 obtaining registration as an authorised audit company in accordance with Part 9.2A of the Corporations Act 2001.

Audit services and related corporate work accounts for 30% of overall fees and includes the provision of services to listed companies, local government authorities, not-for-profit organisations, small to medium sized public and private corporations, AFS Licensees, self-managed superannuation funds and trust audits for legal practitioners, travel agencies and property related entities.

We have been involved with the external audit of local government authorities in WA for more than twenty years. We are currently the external auditors for the Shires of Dardanup, Narrogin, Williams, Wandering, Leonora and Cuballing (2015 financial year) and the Tamala Park Regional Council.

Our audit philosophy is based on "Partner led audits" which ensure that you have access to the decision makers during the audit process to resolve matters that may be identified during the audit process, avoiding "last minute surprises".

Audit & assurance services

In today's highly regulated marketplace, audit & assurance services add value to your organisation by:

- ⇒ Providing independent credibility to your financial statements
- ⇒ Professional advice to management
- ⇒ Solutions to improve systems and performance

Butler Settineri's approach is designed to:

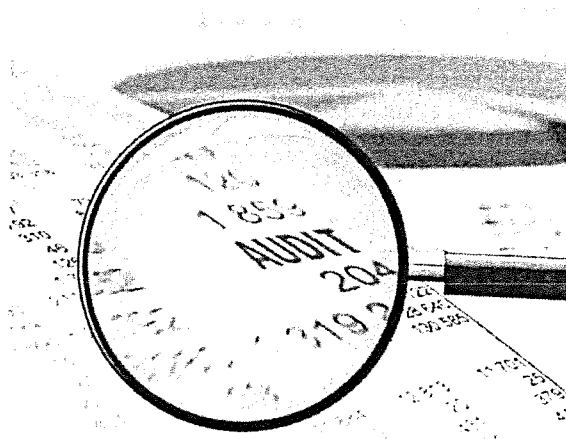
- ⇒ Focus on key risks and financial areas
- ⇒ Add value to your business by providing you with constructive ideas for improving internal controls and on-going business systems

Our partner-led assurance service team is committed to meeting your specific business needs by:

- ⇒ Working closely with you to get to know your business whilst maintaining our independence
- ⇒ Using the latest computerised systems and audit techniques
- ⇒ Conducting an in-depth review of your financial records to enable identification of key areas where additional support and attention will improve your business

Our team is qualified and experienced in delivering efficient audit services which comply with Australian auditing standards and maintain ethical behavior and independence. Currently we provide these services to:

- ⇒ Listed and unlisted public companies
- ⇒ Local and interstate companies
- ⇒ Subsidiaries of foreign entities
- ⇒ Local and State government agencies
- ⇒ Not for profit entities
- ⇒ Small to large reporting and non-reporting entities



Independence

We confirm that Butler Settineri and its personnel will have no conflict of interest in relation to the proposed appointment and that the independence requirements of the relevant professional bodies are complied with.

Our understanding of your needs

We recognise that you want to engage auditors who understand the intricacies and unique aspects of a local government. We note that Council requires us to provide an independent audit opinion, of the accounts and annual financial reports for the Shire of Dundas for each financial year, covered by the term of the audit appointment. The audit will meet the statutory requirements under the Local Government Act and Regulations and will be carried out in accordance with the Australian Auditing Standards.

We will perform procedures as necessary to enable us to issue an opinion as to whether:

The accounts are properly kept; and

- a) The Annual Financial Report:
 - i) Is prepared in accordance with financial records; and
 - ii) Represents fairly the results of the operations and the financial position of the local government and the financial position of the local government at 30 June in accordance with Australian Accounting Standards, the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 and other mandatory professional reporting requirements.
- b) Give an opinion in our audit report on –
 - i) The financial position of the local government; and
 - ii) The results of the operation of the local government.
- c) We will also include the following matters in the report:
 - i) Any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government; and
 - ii) Any matters of non-compliance with financial management or control requirements of the Act, Regulations and any other written law which come to our attention; and
 - iii) Details of whether information and explanations were obtained by the auditor; and
 - iv) Provide an opinion as to whether or not the specific financial ratios reported are, supported by verifiable information and reasonable assumptions.

We will be available to perform other additional auditing requests as directed. We will attend at least one meeting of Council's Audit Committee each year in person if so required. The engagement partner and audit team will visit the Shires' offices during each stage of the audit and we will be available for subsequent meetings at Councils' request

Our understanding of your needs (continued)

We will obtain an understanding of your operations and design audit procedures that address key risk areas. Areas which will be specifically included in our audit are:

- a) Revenue
 - i) Rates revenue
 - ii) Government grants
 - iii) User pays revenue
 - iv) Profit on sale of non-current assets
 - v) Other income

- b) Expenditure
 - i) Salary and wage costs
 - ii) Depreciation
 - iii) Materials and contract expenditure
 - iv) Loss on sale of non-current assets
 - v) Insurances
 - vi) Bad debts
 - viii) Other expenditure

- c) Current Assets
 - i) Bank and short term investments
 - ii) Receivables and prepayments
 - iii) Inventory

- d) Non-Current Assets
 - i) Property, plant, furniture and equipment
 - ii) Infrastructure and depreciation
 - iii) Other receivables

- e) Liabilities (Current and non-current)
 - i) Creditors and accruals
 - ii) Loan borrowings including new loans raised
 - iii) Provision for annual and long service leave entitlements

- f) Reserve Funds
- g) Contingent Liabilities
- h) Capital Commitments
- i) Accounting Policies and Notes to the Financial Statements
- j) Statement of Cash Flow
- k) Financial Ratios required by Local Government (Financial Management) Regulations 1996

Our understanding of your needs (continued)

We will address the audit areas identified by applying our audit methodology, in compliance with all applicable Australian Auditing Standards:

Pre-engagement activities	We will comply with the legislative requirements of independence, client acceptance and other pre-engagement activities. This will result in the preparation of an engagement letter that will set out our understanding of the engagement(s) and will provide certainty as to the specifics of our role and responsibilities.
Risk assessment procedures	Through discussions with the management team at the Shire of Dundas and the members of the Audit Committee and a review of key accounting systems and operations, we will assess the risks of material misstatement, and design procedures to address the matters identified above.
Audit procedures	Based on the risk assessment procedures above, we will conduct procedures to collect appropriate evidence to provide us with sufficient information to issue our audit report.
Reporting & communication	We will issue our report to the Council and the Audit Committee of the Shire of Dundas as soon as practical after the completion of our procedures.

Referees

Shire of Dardanup
Stuart Eaton
Chief Executive Officer
Audit client since 2005
Tel: 08 9724 0000

Shire of Wandering
Martin Whitely
Chief Executive Officer
Audit client since 2006
Tel: 08 9884 1056

Shire of Narrogin
Geoff Mckeown
Chief Executive Officer
Audit Client since 2014
Tel: 08 9881 1866

Our team members have been involved with the external audit of local government authorities in WA for more than twenty years, including the Shires of Cuballing, Dardanup, Leonora, Wagin, Wandering, Wickepin, Woodanilling, Pingelly, Kellerberrin, Williams, Kulin, Narrogin, Kondinin, Tammin and Narambeen, and Cities of Stirling, Fremantle, Canning, Joondalup, Albany and Geraldton-Greenough. Some of our other clients include Therapy Focus (Inc), Ronald McDonald House (WA) and Variety WA (Inc).

We are officially registered with WALGA as a preferred supplier.

Proposed fee structure

Our fee proposal is based on our understanding of your needs. Should you require any other or additional services, we will propose a separate fee for such services before commencement on those engagements.

Our normal hourly rates for different levels of staff are as follows:

	Year 1	Year 2	Year 3	
Audit Director	\$380	\$400	\$400	Exc GST
Audit Manager	\$150	\$160	\$160	Exc GST
Auditors	\$95	\$100	\$100	Exc GST

Our proposed fees for these engagements are:	
2015	\$8,500
2016	\$8,925
2017	\$9,370
These fees exclude travelling cost and GST. We do not charge time cost for travel and will only recoup direct out of pocket expenses.	

We do not charge "hidden" costs and we will discuss any fee variations with you before commencement, in order to avoid any "last minute changes" to our fee structure.

This proposed fee includes the first two grant acquittals.

Our proposed fee per additional grant acquittal is \$800 excluding GST. A separate audit quotation can be provided upon request for any additional services requested by Council.

Audit time and visits to Council

<p>Proposed number per annum</p>	<p>2 visits</p>
<p>Proposed duration of visits</p>	<p>64 hours in conjunction with the client's requirements.</p>
<p>Number of hours proposed for the Audit by staff classification</p>	<p>We will attend two field visits to the Shire during the course of each audit as follows:</p> <ul style="list-style-type: none"> - Interim visit during May/June - Final visit during September (but not later than 30 days after receipt of the final draft financial statements) <p>We estimate the time required to complete the audit as being 64 staff hours either on site or in the office. The quoted fees exclude travel time to from the Shire, as we do not recover travel time from clients.</p> <p>The breakdown is as follows: 4 hours – Engagement partner 14 hours – Manager 45 hours – Auditors 1 hour – Engagement Quality Control Reviewer</p> <p>We plan to meet with the CEO and Shire President during the course of our audit, to ensure effective communication between our team and the Shire.</p> <p>We plan to have entrance and exit interviews with the Finance team, either via teleconference before commencement and after closure of the audit, or as the first and last matters of business during our visits, whichever is more convenient for the Shire's staff.</p>
<p>Ability to meet in person and onsite with the Council's Audit Committee at least once each year for the term of the Contract</p>	<p>In addition to the above the engagement partner will attend at least one Audit Committee meeting in person at the close of the audit. We will also be available to attend additional Audit Committee meetings during the year at the request of the Audit Committee.</p>

Corporate social responsibility

Butler Settineri has a view that, as an organisation, it has a responsibility not only to its clients and its people but also to the general community.

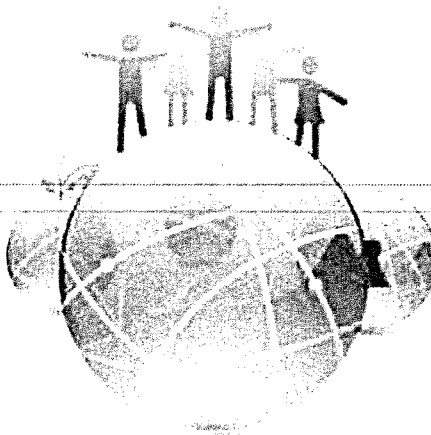
Giving back to the community, wherever it is needed, is an important part of doing business at Butler Settineri. This philosophy is aligned with the values that we maintain as a firm and our desire to make a positive and enduring difference.

We have defined Corporate Social Responsibility 'CSR' as an investment in a strategic capability that provides an opportunity for staff and clients to make a positive contribution to the community in a way which benefits the community, the company and individuals.

Every activity that Butler Settineri undertakes, both as an organisation and its individual people, has an impact on the communities in which we operate. Our responsibility is to ensure that these activities support strong thriving and diverse communities.

In a competitive market people are integral to an organisation's business success. Building a positive workplace culture which supports diversity and well-being is integral to Butler Settineri's high performance, innovation and agility in the marketplace.

We act as pro bono auditors of various small not for profit organisations.



Methodology used to undertake audit

Our audit will be conducted in accordance with the requirements of section 7.9 of the Local Government Act 1995 and Local Government (Audit) Regulations 1996, to enable us to issue our opinion as to whether the accounts are properly kept and whether the financial report is prepared in accordance with the financial records and fairly represents the results of the Shires' operations and its financial position as at the end of the financial year.

We have adopted the Australian Auditing Standards and Auditing Guidance Statements as required by the Institute of Chartered Accountants as well as relevant Australian Accounting Standards and other professional reporting requirements.

Our audit process has several phases as follows:

Pre engagement activities
Planning and risk assessment
Performing audit procedures
Reporting and communication

Pre engagement activities

This phase of the process ensures that there is an agreement as to the terms of the audit engagement for the relevant year and enables us to be flexible and adapt our work to include any additional requirements requested by management and / or the Audit Committee. The agreed terms are then recorded in our audit engagement letter which can be varied from year to year to accommodate these requirements.

Planning and risk assessment

This phase of the process involves the first of our two scheduled audit visits to the Shire. This is a critical phase of the process during which we will hold detailed discussions with management and perform analytical procedures to identify specific significant transactions and/or unusual trends within the financial information which may result in a material misstatement flowing through to the financial report.

Also as part of this process, and as required under the Australian Auditing Standards we will obtain an understanding of all the financial and internal control systems relating to key balances in the financial report. Having documented this understanding we will then discuss improvement matters with members of management during the audit process. Where we plan to rely on these internal control systems we will then test these systems during our interim visit. In relation to the Shire of Dundas, we plan to place reliance on the rates system, the payroll system and the job costing system.

Having identified which systems we can place reliance on, the areas where there is a risk of material misstatement and considering those areas specifically required to be addressed through our audit, we then develop a tailored program of audit procedures.

Methodology used to undertake audit (continued)

Performing audit procedures

This phase of the audit involves performing the audit procedures selected to enable us to gather sufficient appropriate audit evidence on which to base our audit opinion.

On receipt of the draft financial report and the requested supporting documentation, we will start on this phase of the audit prior to our final audit visit.

In relation to the Shire's significant revenue and expenditure categories, we plan to undertake at least the following procedures:

- ⇒ Verify rates revenue and user pay revenues analytically with reference to the applicable rate in the dollar, GRV comparisons and other relevant data
- ⇒ Verify grant income to supporting documentation
- ⇒ Verify other income via sample testing of significant transactions
- ⇒ Verify any significant interest income by computation
- ⇒ Verify salary costs to the PAYG payment summary
- ⇒ Recalculate the expected depreciation charge based on the Shire's stated accounting policy
- ⇒ Sample test items classified as "materials and contracts" expenditure
- ⇒ Verify any significant interest expenditure by computation
- ⇒ Consider the reasonableness of other key income and expenditure categories through analytical review procedures

We would then adopt a largely substantive approach to the balance sheet by using a combination of verification procedures, substantive analytical review procedures and sampling. For example:

- ⇒ Direct confirmation of cash balances held at banks and/or building societies
- ⇒ Vouching significant additions and disposals of fixed assets to supporting documentation
- ⇒ Direct confirmation of any loans and other financial liabilities
- ⇒ Analytical review of employee entitlement provisions
- ⇒ Sampling of balances within sundry receivables and payables

Reporting and communication

This phase of the process involves collating and concluding on the audit evidence gathered as a result of our procedures and then addressing areas such as the impact of subsequent events on the information presented in the financial report.

At this stage we perform a detailed review of the financial report to ensure that it incorporates all the required information and any additional information that may be required to fully explain the information being reported.

Additional to our audit report we will present management and the Audit Committee with a summary of the key areas of the audit. Any issues or concerns regarding the system of internal control will be raised in the form of a management letter.

Once the audit process is finalised, the team will hold a debriefing session and will note any items for consideration in the next audit.

Contact details

Our professional team is key to our client service. We will provide clearly communicated, tailored solutions and practical recommendations to ensure you grow and succeed in today's challenging environment.

Our people have the right attitude, skills and industry experience to provide valuable support to Council. We are continually improving through training, professional development, and workplace programs.



Marius van der Merwe
B.Com (Hons) CA
(Partner)

Marius is a Registered Company Auditor with the Australian Securities and Investments Commission (Reg. No. 404957). Marius was admitted to the Butler Settineri partnership in July 2012 and became a director of the audit company in July 2011. Marius specialises in the external audit and investigation field. His portfolio includes, amongst others, Australian Financial Service License holders, Not for Profit Organisations and Local Governments. He also serves on the Audit Committee of a National Statutory Authority.



Lucy Gardner
B. Sc (Hons) CA
(Partner)

Lucy is a registered company Auditor (Reg. No. 280101). Lucy became a director of the audit company on its registration and admitted to the partnership as of 1 July 2007. She has a key role in the audit and corporate services team and is instrumental in ensuring that the firm internal standards, checklists and work papers satisfy Australian best practice.



Janine Sirgel
BCompt (Hons) CA
(Manager)

Janine has been involved in external audit since 2006 and is currently the Manager in charge of our extensive external audit client base, including our local government portfolio.



Danielle Cavanagh
MAAT
(Audit coordinator)

Danielle has over 13 years public practice audit experience in the UK., covering internal and external audits of various industries. Danielle is currently managing our property management and superannuation audit division.

Specified personnel

Full name	Marius van der Merwe
Registered Company Auditor No.	404957
Position Held	Director of Butler Settineri (Audit) Pty Ltd
Percentage of time on the project	20%
Qualifications	<p>Member of the Institute of Chartered Accountants in Australia and New Zealand</p> <p>Registered Company Auditor</p> <p>Registered SMSF Auditor</p> <p>Honours Bachelor of Accounting Science Degree (Hons B Compt) from the University of South Africa</p>
Level of expertise and experience in Local Government	<p>Marius trained with a mid-tier accounting firm in South Africa. He qualified as a Chartered Accountant in 2000 and specialises in the external audit field.</p> <p>He acted as audit principal in his own practice for over ten years, delivering external audit and taxation services to a broad range of clients across a variety of industries, including government and government controlled agencies.</p> <p>On arrival in Perth, Marius worked as a senior audit manager at a large mid-tier firm in Perth and has audit knowledge at a senior level in a range of industries, including several local government authorities.</p> <p>Marius joined Butler Settineri in December 2010 as an external audit specialist. He has a key role in the audit and corporate services team. He was admitted to the partnership on 1 July 2012.</p> <p>Marius is currently the engagement partner for the following Shires: Dardanup, Wandering, Leonora, Narrogin, Williams and has previously managed the audits of; The City of Stirling, Fremantle, Canning, Perth, Joondalup, Albany and Geraldton-Greenough.</p>
Capacity in which each person is to act	Engagement Partner (Audit Director)

Specified personnel (continued)

Full name	Lucy Gardner
Position Held	Director of Butler Settineri (Audit) Pty Ltd
Registered Company Auditor No.	280101
Percentage of time on the project	5%
Qualifications	<p>Member of the Institute of Chartered Accountants in Australia and New Zealand</p> <p>Associate of the Institute of Chartered Accountants in England and Wales</p> <p>Registered company auditor with the Australian Securities and Investment Commission</p> <p>Graduate Diploma in Applied Corporate Governance</p> <p>Bachelor of Science (Hons) in Geological Sciences from Durham University, UK</p>
Level of expertise and experience in Local Government	<p>Lucy trained with BDO – Binder Hamlyn, a medium sized firm of Chartered Accountants in Newbury, England before immigrating to Australia. She qualified as a Chartered Accountant in 1995 and specialises in the external audit field.</p> <p>On arrival in Perth, Lucy worked as an audit senior at one of the "Big 4", Ernst & Young. She was promoted to manager as of January 1996 and has experience auditing at a senior level in a range of industries.</p> <p>Lucy joined Butler Settineri in August 1999 as an external audit specialist. Lucy has a key role in the audit and corporate services team and is instrumental in ensuring that the Firm's internal standards, checklists and work papers satisfy Australian and International best practice.</p>
Capacity in which each person is to act	Engagement Quality Control Reviewer (Audit Director – EQCR)

Specified personnel (continued)

Full name	Janine Sirgel
Position Held	Audit Manager of Butler Settineri (Audit) Pty Ltd
Percentage of time on the project	25%
Qualifications	Member of the Institute of Chartered Accountants in Australia and New Zealand Honours Bachelor of Accounting Science Degree (Hons B Compt) from the University of South Africa
Level of expertise and experience in Local Government	Janine trained with a mid-tier accounting firm in South Africa and qualified as a Chartered Accountant in 2008. Janine joined Butler Settineri in February 2013 and has been involved in managing the extensive audit portfolio, which includes several local government authorities.
Capacity in which each person is to act	Manager

Other members of our audit team will make up the remaining 50% of the expected audit hours.

Execution by respondent

Name of Respondent Butler Settineri (Audit) Pty Ltd	
Address of Respondent Unit 16, 100 Railway Road SUBIACO WA 6008	
Postal Address Locked Bag 18 SUBIACO WA 6904	
Refer enquiries to: Marius van der Merwe Email: mvdm@butlersettineri.com.au	
Phone Number: (08) 6389 5222	Fax Number: (08) 6389 5255
Legal Entity : Butler Settineri (Audit) Pty Ltd	ABN 61 112 942 373 Registered Company Auditor No. 289109