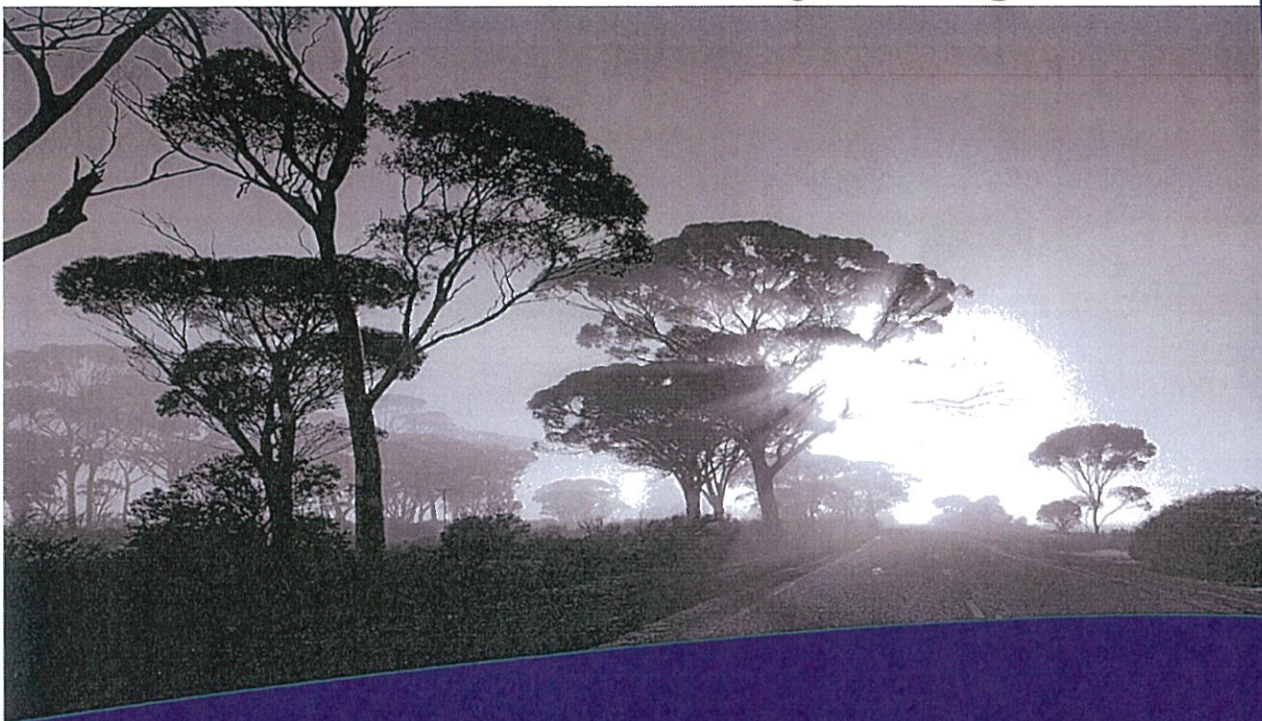




Rock Solid

Shire of Trayning



ANNUAL REPORT

2016 / 2017



Adopted by Resolution of Council - Ordinary Meeting of Council 21st March 2018. Resolution: 03-2018.020



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GENERAL INFORMATION

Administration Office

Address

Railway Street,
Trayning, WA 6488

Postal Address

PO Box 95
Trayning WA 6488

Telephone (08) 9683 1001**Fax** (08) 9683 1040**E-mail:** admin@trayning.wa.gov.au**Website:** www.trayning.wa.gov.au**Office hours:**

Mon to Fri 8.30 am - 4.30 pm

Other

Towns: Trayning, Kununoppin, Yelbeni**Area:** 1,632 sq kms**Distance from Perth:** 235 km**Population:** 467**Number of Electors:** 341**Number of Dwellings:** 255**Total Rates Levied:** \$994,955**Total Revenue:** \$5,178,040**Number of Employees:** 18 (16 FTE)

Significant Local Events

New Years Eve Community Party, Australia Day Community BBQ at the Trayning Aquatic Centre, Tractor Mudbog and Burnout Competition.

Tourist Attractions

Billyacatting Hill Conservation Park with fauna, reptiles, wildflowers, rare flora and bird watching, Gnamma Holes, Yarragin Rock (twin monoliths), Yelbeni Museum, Trayning Tree Library Walk Trail, Historic Wells and a part of the Pioneer Pathways Route.

Accommodation

Trayning Hotel/Motel, Trayning Caravan Park.

Sporting & Recreation Facilities

Ninghan Fitness Centre - Community Gym, Aquatic Centre, 4 Grass Tennis Courts, Bowls, Yelbeni Golf Course and Clubhouse with 18 holes (in recession), Swimming Club, BMX Tracks in Trayning & Kununoppin, Skate Boarding Park, Community/School Oval and excellent BBQ/ Playground areas.

SHIRE PRESIDENT'S REPORT



Cr Freda Tarr
Shire President

The 2016/17 annual report has been presented to Council and Staff. It is my pleasure to present the Annual Report to the community.

The start of the financial year was under the control of Mr Pascoe Durtanovich Acting CEO, with the commencement of Mr Graham Merrick as CEO in November 2016, bringing back the stability to Staff, Councillors and the Community with a fulltime CEO.

2016/17 there were no Government Elections.

I would like to thank all fellow Councillors for their time and dedication they have given to the Community.

Councillors attended meetings on every third Wednesday of each month for ordinary council meetings as well as subcommittee meetings as below

- Newroc
- New Health
- New Travel
- Kununoppin Medical Practice
- Local Emergency Management Committee
- WALGA Great Eastern Country Zone
- Central Eastern Aged Care Alliance
- Regional Road Group
- LEHAG
- Plus many community based groups.

Councillors also have the opportunity to attend training sessions in Kellerberrin and, Perth. I have attended 2 courses this year

- Manage recovery activities for Local Government.
- Intergraded strategic planning.

Also attending aged / dementia friendly seminars, and several workshops WALGA have provided over the year.

This year also introduced President/Councillor report to our Information Bulletin that is sent out with Ordinary Council Agenda monthly of what meetings councillors have attended and short brief as to what is discussed at these meetings.

2016/17 seen the need to work on councils 10yr strategic plan, this commenced in February with a community survey being sent out, holding community sausage sizzles to meet the community and hear direct from them what they would like and how they see the community moving forward over the next 10yrs.

A RAV Network community meeting was held to move forward with the 10yr plan for our road network.



SHIRE PRESIDENT'S REPORT

Continued

A committee was formed to beautify the town cemeteries.

Projects

This year has been another busy year for both office staff and outside work staff with the following projects

- Road Maintenance/ Upgrades
- Completion of the refurbishment of sporting club and holding an opening
- Opening of much needed Kununoppin phone tower through both State & Federal government funding.
- Opening of the Kununoppin Independent Units
- Thank a volunteer day.
- CEACA aged housing this has progressed with securing funding enabling 11 shires to work collaboratively together building aged housing.

Appreciation

This year has been very busy time again for our Volunteer Emergency Services and St John's. I would like to pass on our gratitude and Thanks to all volunteers in the community and how proud I am to be part of this community with their dedication of helping others.

The staff I express my appreciation for your continued dedication and loyalty to achieve Councils objectives.

I look forward to continue working with the Community, Councillors and Staff to achieve the Shire's goals and to making this a great community to live in and be part off.

Cr Freda Tarr
President

CHIEF EXECUTIVE OFFICER'S REPORT



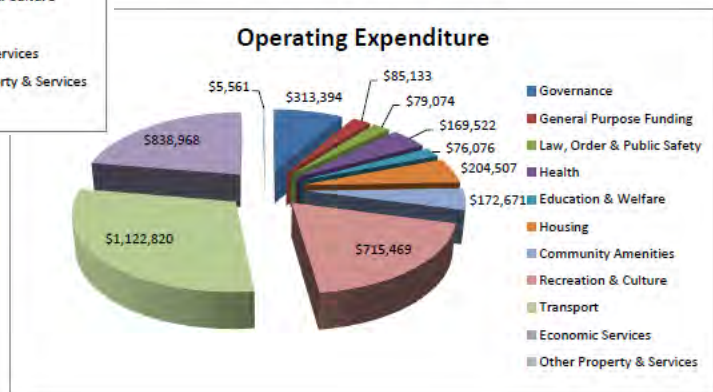
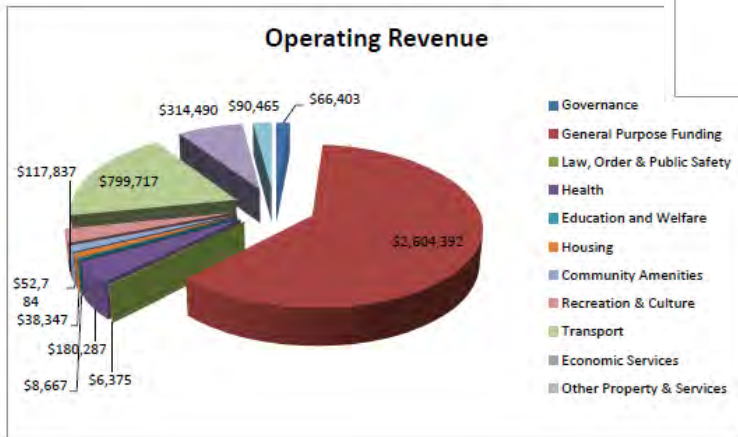
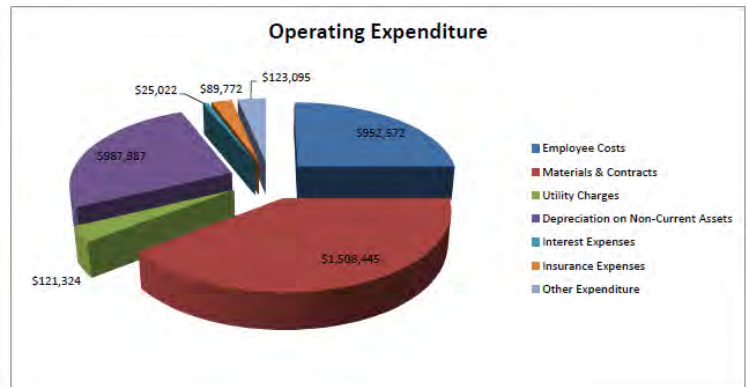
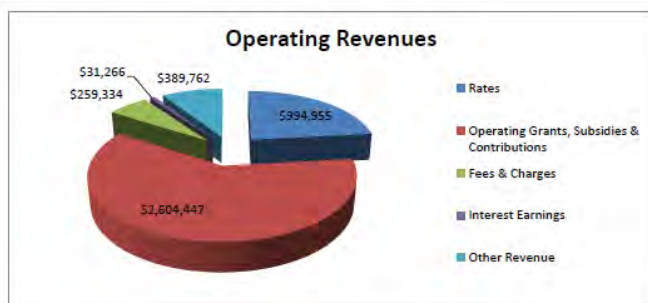
Graham Merrick
Chief Executive Officer

It is with pleasure that I present my Annual Report to the residents and ratepayers of the Shire of Trayning. It is pertinent to note that this Report, which covers the period 1 July 2016 to 30 June 2017. As I commenced my tenure on 15 November 2016, a portion of the reporting period was under the administration of former Chief Executive Officers and Acting Chief Executive Officers.

FINANCIAL INFORMATION

The following is an indication of operating income and expenditure for the reporting year.

By Nature or Type



It is reported that Council will end the 2016/2017 financial year with cash and cash equivalents of \$1,472,565. This amount is higher than budget expectations due the prepayment of 50% of the Federal Governments Assistance Grants that were disbursed by the Western Australian Local Government Grants Commission at the end of June 2016.

CHIEF EXECUTIVE OFFICER'S REPORT

Continued

KUNUNOPPIN INDEPENDENT LIVING UNITS

As of the 30th June 2016, work on the Independent Living Units located in Kununoppin has progressed to the point where the accommodation units were in place and much of the utilities and services have been connected. Landscaping and other final touches were progressively completed and the first tenants, Mr and Mrs Purdy moved in during December 2016. Progressively the remaining units were occupied and all units are currently let.

The official opening of the Independent Living Units was conducted by our Local State member, the Honourable Mia Davies, on 16 December 2016.

TRAYNING SPORTING CLUB BUILDING

Work on the Trayning Sporting Club Building was completed during this period. Several maintenance issues created additional problems but were worked through and ultimately accepted.

STAFF HOUSING

Council recognises that staff housing standards need to be a focus going forward in order to be able to attract and retain experienced and qualified staff. Consequently, the renovation of 23 Adams Street Trayning has commenced.

RAV NETWORK STRATEGIC PLANNING.

In recognition that transport needs for the rural sector are likely to increase Council has embarked upon implementing a strategic plan for improving the connectivity of the RAV network within the Shire.

A planning meeting was held in the Administration Centre during March 2017 which was well attended. Anomalies in the RAV network were identified and submitted to Main Roads WA for re-assessment. Additionally, a road hierarchy to guide future road works with the ultimate aim of achieving RAV 7 standard was developed and subsequently endorsed by Council.

THANK A VOLUNTEERS DAY

A very successful and well attended Thank a Volunteer Day was held during Volunteers Week. Volunteers are the back bone of any community and this was the Shire's way of recognising the valuable contribution being made. A very special recognition of the efforts of Belinda Taylor in organising the entire event is made.

FINANCIAL MANAGEMENT

This period has further identified that the Shire of Trayning has some very challenging financial management issues to address. Essentially the macro issues are two-fold. A sustained period of expending more monies than income and delivering services at an unsustainable level. Additionally, given the levels of compliance required of local governments now, further resources are needed in financial management.

STRATEGIC PLANNING

The Auditor's Management Report also identifies that the required Integrated Planning Review have not been completed in the required timeframe. Whilst the delay is acknowledged, Council has completed a Community Survey and three separate strategic planning sessions during this period. The information compiled during these sessions will form the nucleus of Council's focus over the next 4-10 years. It is anticipated that the completed reviews will be endorsed by council by June 2018.

Graham Merrick

CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S REPORT

Continued

Opening of Kununoppin Independent Living Units



Thank a Volunteer Day in the newly refurbished Trayning Sporting Club





Rob Tanner
Works
Supervisor

The Works Projects that have been completed for the financial year 2016 -2017 are:

- **Kellerberrin - Bencubbin Road (RRG001)** – Widening shoulders, profiled and 2 coat sealed. 3.3 km section.
- **Bencubbin-Kununoppin Road (RTR016)** – Apply 1 coat seal.
- **Gabbin-Trayning Road (RTR019)** - Reformation and gravel re-sheet section of road.
- **Kellerberrin-Bencubbin Road South (RTR023)** – 1 coat seal applied.
- **Lamond Road (RTR026)** - Reformation and gravel re-sheet a section of the road.
- **Wallambin Road (RTR027)** – Reformation and gravel re-sheet a section of the road.
- **Brown Road (RTR028)** – Reformation and gravel re-sheet a section of the road.
- **Kidd and Sutton Road (RTR029)** - Reformation and gravel re-sheet a section of the road.
- **Condor Road (RCC021)** - Reformation and gravel re-sheet a section of the road. and culvert extension.
- **Hughes Street (RCC035)** – 1 coat seal applied.
- **Alexandra Street South (RCC038)** – Re-construct, 2 coat seal applied.
- **Alexandra Street North (RCC039)** – 1 coat seal applied.
- **Fleming Road (RCC040)** – Reformation and gravel re-sheet a section of the road.
- **Railway Street** – New asphalt laid between Mary Street and Twine Street.
- **Refuse Sites** – Reconstructed both Yelbeni and Kununoppin sites.
- **Town Streets** – Street sweeping of Trayning and Kununoppin town sites completed by the Shire of Kellerberrin’s road sweeper truck.
- **Winter Maintenance Grading** – Shire and Contractor shared grading.
- **Trayning Swimming Pool** – Lawns verti mowed and top dressed. New kids pool shade sail erected. New coffee machine and bay marie installed. New pool blankets installed.
- **Road Verge Slashing, Mulching and Weed Spraying** – various roads.
- **Kununoppin Airstrip** – Weed spraying and general maintenance.
- **Trayning Caravan Park** – Resheeted Caravan Park areas and mulched applied.
- **Tree Planting** – Trees planted in the Trayning Tip Rehab areas.
- **Gravel Pushing** – Various gravel pits.
- **Depot** – New lights installed in all sheds.
- **Trayning Town** – Ongoing routine maintenance.
- **Kununoppin Town** – Ongoing routine maintenance.
- **Yelbeni Town** – Ongoing routine maintenance.
- **Reserves and Parks** – Ongoing routine maintenance. Emptied toilet as needed. Cleared paths and parking areas on all reserves and parks.

WORKS SUPERVISOR'S REPORT

Continued

Works Request – Ongoing.

Plant and equipment that was:

Purchased –

- Hilux Ute for Supervisor
- Hilux Ute for Operators.
- 2 x 3 inch pumps
- Various hand tools
- New air compressor for work-shop.

Repaired –

- Komatsu Grader GD555-5 – Mirror and lights replaced. Air conditioner regased.
- Volvo Loader – Cutting edges replaced
- Daf Truck – Brakes checked and replaced.
- Supervisors Ute – Replaced windscreen.

Services –

- All services on vehicles and machinery are up to date.

Staff –

- Grader Operator - current status – Full Time Employee
- Daf Side Tipping Truck Operator – current status – Full Time Employee.
- Parks and Gardens – current status – 3 x Full Time Employees.
- Plant Operators – current status – 3 x Full Time Employees.

Rob Tanner

WORKS SUPERVISOR





NATURAL RESOURCE MANAGEMENT

FEDERAL GOVERNMENT- BIODIVERSITY FUND

NEWROC NRM in partnership with WEROC and SEAVROC NRM has been receiving funding for a 6 year Biodiversity fund project entitled 'Connecting Biodiversity across the Wheatbelt of Western Australia'. Trayning Shire was responsible for administering the finance for the project. All the revegetation and fencing projects to protect remnant bushland have now been completed, and the project was wound up at the end of the 2016-17 financial year. The final report and audited financial report have been submitted to the Department of the Environment.

TRAYNING WATER STRATEGY

A strategic assessment of stormwater capture and reuse infrastructure in the Trayning townsite was prepared by consulting hydrologist Matt Giraudo, including recommendations for additional works required to facilitate the use of stormwater for irrigation of the school oval. Based on this strategic assessment document, an application was lodged with the Department of Water for a grant to assist with refurbishing the Roaded Catchment to the north of the town, however those grants have been put on hold until further notice from the Department (now the Department of Water and Environmental Regulation)

STATE NRM GRANT

A new SNRM grant A16095 "Enhancing and Connecting Remnants in Trayning, Nungarin and Koorda Shires." has been approved, which will assist landholders with fencing and supply seedlings for revegetation works, to protect or expand remnant bushland on their properties. The grant is for a total of \$34,265.00 (plus GST).

There is currently an application with SNRM for a grant A17002 "Enhancing and Protecting Remnants in Trayning, Nungarin and Koorda Shires." which if approved, will allow for the continuation of revegetation and bushland remnant protection projects on private landholdings into 2018. I have applied for a total of \$35,650.00 for A17002.

NUNGARIN/TRAYNING/MERREDIN SKELETON WEED LOCAL ACTION GROUP

There have been several meetings and training sessions held throughout the year- the 2016-17 season debrief was in Mandurah at the end of March, and I attended an Auschem chemical handling course at Narrogin on 26th and 27th of June. The LAG's AGM was held at Nungarin in July.

In the Shire of Trayning, 5 plants were found during the search of a code 3 paddock, but there were no new finds, and one property came off the system following a final clear search and audit.

NATURAL RESOURCE MANAGEMENT

Continued

Almost 2000 ha of surveillance searching was completed across Trayning and Nungarin Shires, as well as auditing of paddocks following clear searches. Properties identified for searching are close to existing sites, or have been previously infested, while some are on properties in between mapped infested properties.

BUSH TUCKER GARDEN

Approximately 60 seedlings of various shrub species were planted in the Bushtucker garden in Railway St, to provide a more massed display of Bushtucker and Medicine plants.

KUNUNOPPIN CEMETERY

The Eastern end of the Kununoppin cemetery was planted with 300 old man saltbush seedlings to help infill the area as part of the ongoing beautification of the cemetery.

CORELLA CULL

Members of "Hot Shots" Feral and Pest Solutions visited Trayning on 3 weekends over the summer period to assist with culling of pest corellas and feral animals from around the Trayning townsite, the trotting track, golfcourse, the Old Trayning Tip and the Yelbeni and Kununoppin Tips.

Members who attended were accommodated at the Trayning Caravan Park.

TRAYNING TIP OFFSET SITE

Infill of the revegetation project at the Northern end of the Old Trayning Tip was conducted as part of the Shire's responsibility for offsetting the gravel pits used during the Grain Freight Route work. Weeds have been sprayed around the seedlings as necessary to prevent competition, and seedlings should be self-maintaining in the future, as they are now becoming well advanced.

GLEN BUDER
NATURAL RESOURCE
MANAGEMENT OFFICER





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COUNCILLORS AND MEETINGS

YOUR COUNCIL

The Shire of Trayning is represented by seven Councillors made up of a President, Deputy President and 5 Councillors. The elected representatives work together to provide good governance by making decisions on all aspects through effective strategic planning.

The current members of Council consist of:

Shire President

Freda Tarr
Commenced—2011
Term Expiry—2019

Deputy President

Geoff Waters
Commenced—1996
Term Expiry—2019

Councillors

Melanie Brown
Commenced—2015
Term Expiry—2019

Trevor Lamond
Commenced—1984
Term Expiry—2017

Greg Yates
Commenced—2015
Term Expiry—2019

Wallace Knott
Commenced—2009
Term Expiry—2017

Andrew Woodfield
Commenced—2009
Term Expiry—2017

Council meetings are held on the third Wednesday of each month except in January. Meetings start at the advertised times, and have a 15 minute period at the commencement for public question time. An agenda is prepared for each meeting, which is finalised by the Wednesday afternoon of the week prior to the meeting.

Council has two standing Committees, the Audit Committee as required by the Local Government Act, and the Local Emergency Management Committee as required by the Emergency Management Act. Other Committees for specific purposes may be created. There are also a number of other organisations on which your Council is represented, these include: Bush Fires Advisory Committee, Great Eastern Zone of WALGA, NEW Travel, Pioneer Pathways, Local Health Advisory Group, Regional Road Group, Local Emergency Management as well as others.

Council is also a member of the North Eastern Wheatbelt Regional Organisation of Councils, (NEWROC) which includes the Shires of Koorda, Nungarin, Mt Marshall, Mukinbudin and Wyalkatchem. The group works together to achieve greater resource sharing abilities.

The Local Government Act 1995 provides for Councillors to be paid a meeting fee for their attendance at Council and Committee meetings. This may be paid for individual attendances or alternatively, Councils may elect to pay an annual fee for attendance at these meetings.



COUNCIL STAFF

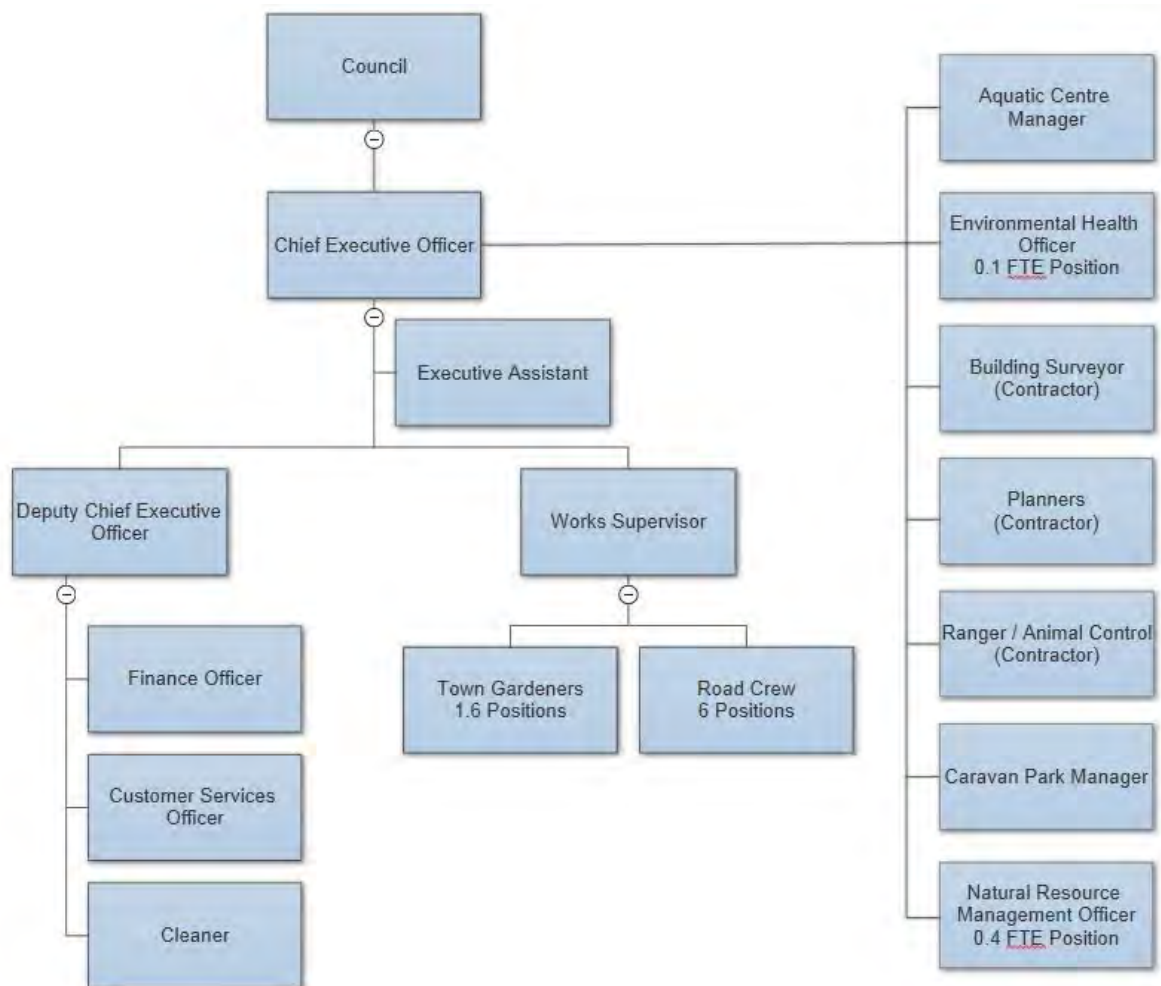
As at 30 June 2017

ADMINISTRATION STAFF

Chief Executive Officer	Graham Merrick
Environmental Health Officer	Peter Toboss
Executive Assistant	Belinda Taylor
Manager of Finance	Kylie Caley
Customer Service Officer/Library	Denise Kamerling
Customer Service Officer/Ninghan	Abbie Herrick
NRM Officer	Glen Buder
Aquatic Centre Manager	Shaun Malone
Cleaner	Caroline Ferns

WORKS TEAM

Works Supervisor	Rob Tanner
Works crew	Paul Lansdown
	Keith Hubbert
	Anthony Bell
	Marc Pitts
Town Crew	Peter Salo
	David Dhu
	Alfonso Ricetti
	Taran Palmer



HOW YOUR COUNCIL WORKS

LAW, ORDER & PUBLIC SAFETY

The Shire of Trayning is covered by a local FESA Unit which consists of three fire trucks, one fast attack fire utility and emergency and road rescue vehicles. Council has minimal expenses in this area, however Council still considers this area as a high priority by providing staff and equipment, as required.

The Shire of Trayning receives Police coverage and support from the Bencubbin Police Station. The Bencubbin and surrounding police carry out regular day and night patrols of the area to assist in keeping crime to a minimum.

Council has responsibility for the Local Emergency Management Committee which meets on a regular basis and conducts desktop exercises.

The Shire carries out the requirements of the Dog Act through the Central Wheatbelt Ranger Service and internal staff. The Ranger carries out weekly patrols of the Shire. Council has its own dog pound which is situated in the Shire depot.

HEALTH & BUILDING

Council administers the requirements of the Health Act and Building Code in the Shire and is a member of the North Eastern Wheatbelt Health Scheme, which employs Peter Toboss as its Principal Environmental Health Officer and Building Surveyor. He ensures that the required standards are being met by shop owners and builders, and provides general advice to residents on health and building matters.

Council supports the Kununoppin and Districts Health Service when required and in conjunction with the Shires of Mt Marshall, Mukinbudin and Nungarin has constructed a house to assist in attracting a doctor, and a vehicle is also provided for the Doctor.

The Shires of Trayning, Mt Marshall, Mukinbudin and Nungarin have purchased the Kununoppin Medical Practice.

EDUCATION & WELFARE

Council owns and maintains the Playgroup building situated at Twine Street, Trayning and provides it free of charge for use by the KTY Playgroup. Council supports the Wheatbelt Agcare and Counselling Service situated in Nungarin. Council also works closely with and provides support to the Trayning Primary School.

Council maintains and provides, free of charge, the Kununoppin Community Centre & Trayning Playgroup and Kununoppin Hall for the use of seniors and a second hand shop respectively.

HOUSING

Council in conjunction with Homeswest provide six-aged person's units and two young person's units in Trayning. Council also provides housing for various staff employed by the Shire.

HOW YOUR COUNCIL WORKS

Continued

COMMUNITY AMENITIES

There are refuse sites based in Kununoppin and Yelbeni for the disposal of various types of waste. General household refuse collection is carried out by Avon Waste each Monday, with recycling collected fortnightly on a Tuesday. Council also provides recycling bins at each post office for farmers to utilise.

Council administers and maintains the cemeteries at Kununoppin, Trayning and Yelbeni including 2 niche walls.

Council provides public toilets throughout the Shire for the use of tourists and general public.

RECREATION & CULTURE

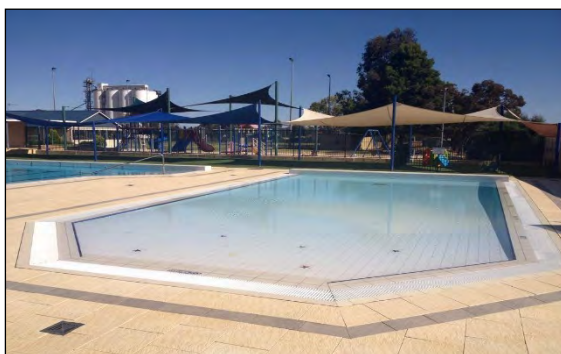
Council is responsible for the maintenance of the town halls in Kununoppin & Trayning and also relies on a community committee to assist with the Kununoppin hall. The Shire also maintains a community centre in Kununoppin and Trayning.

The Trayning Aquatic Centre continues to be a focal point for the community during summer and with the shade sails at the southern and northern ends of the aquatic centre it provides a sun smart environment. The aquatic centre is well managed by the Pool Manager, Shaun Malone. It is also important as a facility where our children are educated in water safety via VACSWIM, school and local swimming club.

General parks and gardens are maintained by Council's town gardeners who ensure these areas are maintained to the highest of standards. The Shire of Trayning also contracts the services of Trayning Tyre Services to manage the Tennis Courts, Bowling Green, BBQ Playground area and Caravan Park.

The BBQ Playground area is enhanced with a modern fitness centre/gym and ablutions with enclosed verandah. Council also provides a new stainless steel BBQ in the park area for members of the community and tourists to utilise.

The Shire provides a fully stocked public library including public access for the community to an internet service.



HOW YOUR COUNCIL WORKS

Continued

TRANSPORT

Council provides a full range of licensing facilities for vehicles and motor drivers licenses. Council also has the facilities for the compulsory photographic Driver's license cards.

Council handles new Motor Driver Licensing applications, Computerised Theory Tests and Hazard Perception Tests.

Roads are the Shire's major commitment and consume the largest part of the annual budget. As well as ongoing maintenance, the Shire has carried out network improvements and major preservation projects during the year.

The Kununoppin airstrip is also a facility maintained by Council for the Kununoppin and Districts Hospital and the Royal Flying Doctor Service.

ECONOMIC SERVICES

Council continues to contribute towards noxious weed control, vermin control, Natural Resource Management, Landcare and rural conservation services. The Shire employs Glen Buder as the Natural Resource Management Officer and contract two days per week of his time to the Shire of Nungarin.

The Ninghan News is fully funded and compiled on a fortnightly basis by the Shire administration staff and is distributed in each town and via mail to subscribers. No publications are produced during January.

Council compiles and produces a local telephone and business directory for the Shire of Trayning which can be purchased through the Shire Office.

Council maintains its support for tourism and area promotion in the Shire and region with its involvement in NEWTravel, Pioneer's Pathway, the Wheatbelt Way and through the maintenance of the Tourist Information Bay and Local Tourism Brochure.

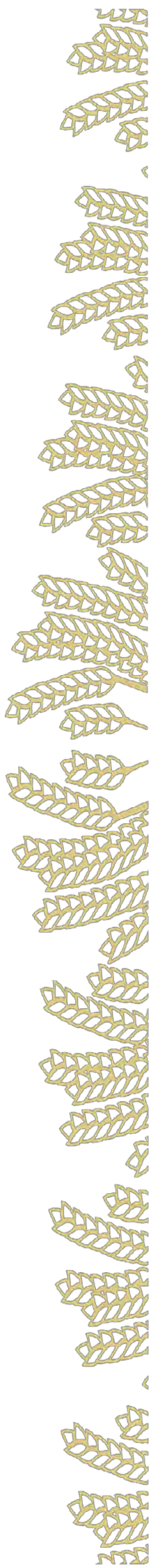
The Billyacatting Hill Nature Reserve and Gnamma Holes in conjunction with beautiful wildflowers & orchards are just a few of the unique tourism assets within the community and attract tourists from everywhere.

PRIVATE WORKS

Private works for residents is a service provided by the Council, and also extended to private organisations and Government Departments. Fees and charges are reviewed annually during the budget process, these are available by contacting the Shire Office staff.

FINANCE AND BORROWING

Council currently has a number of loans for various purposes including the construction of Housing, construction of Ninghan Fitness Centre, relocation of the Trayning Caravan Park and purchase of Plant and Equipment. Detailed information on income and expenditure, refer to the following Financial Report.





PLAN FOR THE FUTURE OVERVIEW

AN OVERVIEW OF THE PLAN FOR THE FUTURE OF THE DISTRICT

a) **General Purpose Income**

This area is a major determinant in the planning of the activities of the Shire with Rates and Operating Grants and Subsidies continuing to provide operating costs for the provision of services to the community

b) **Administration and Governance**

Council and Staff continue to work together towards the common goal. It is encouraging to report on the innovative and positive attitude Council present in providing facilities and determining future developments in our Shire, which ultimately leads to a benefit for all.

c) **Community Amenities**

The object of this facility is to provide an efficient and effective service to the community in the areas of Refuse Management and management of the Town Planning functions.

d) **Recreation and Culture**

The object of this activity is to maintain and enhance lifestyle opportunities for the community and to this end the Shire continues to support sporting and recreational groups with funding and assistance in obtaining grant funds through the Department of Sport and Recreation. Council's current focus in this area is the upgrade of the Trayning Community Recreation Centre.

e) **Transport**

The transport activity covers the construction and maintenance of the road network together with footpath and street lighting facilities. The Shire apply significant resources to this area and make substantial budget provision to provide and maintain this activity.

f) **Economic Services**

The purpose of this activity is to facilitate business opportunities, natural resource management tourism and potential for economic development. The Shire continues to support local and regional groups.

g) **Land and Buildings**

This is a major area of the Shire assets with an obligation to ensure that a reasonable and commercial return is achieved and appropriate management of assets is applied.

h) **Plant, Equipment and Machinery**

This area remains an important part of Council direction. Plant budgeted is purchased within set parameters.

i) **Infrastructure Assets**

This extensive area includes roads, footpaths, drainage, parks, gardens, ovals, kerbing, lighting and street trees.

Major Initiatives Proposed or to Continue During 2016/2017

- Trayning Community Recreation Facility
- Fencing of the Yelbeni & Kununoppin Tip Sites
- Renovations to Staff Housing
- Kununoppin Independent Living Units
- Replace leased light vehicles with Shire Owned to enable savings on leasing costs and FBT

DISABILITY SERVICES PLAN

Amendment to the Disability Services Act in 1999 require all Public Authorities to include in their Annual Report, a statement on that organisation's efforts to implement their adopted Disability Access and Inclusion Plan.

The Shire of Trayning is committed to ensuring that the community is an accessible community for people with disabilities, their families and carers. As well as to consulting with people with disabilities, their families and carers and where required, disability organisations to ensure that barriers to access are addressed properly.

The outcome statements against which assessments are made are as follows:

OUTCOME 1 - People with disabilities have the same opportunities as other people to access the services of, and any events organised, by the Shire of Trayning.

OUTCOME 2 - People with disabilities have the same opportunities as other people to access the buildings and other facilities of the Shire of Trayning.

OUTCOME 3 - People with disabilities receive information from the Shire of Trayning in a format that will enable them to access the information as readily as other people are able to access it.

OUTCOME 4 - People with disabilities receive the same level and quality of service from the employees of the Shire of Trayning as other people receive.

OUTCOME 5 - People with disabilities have the same opportunities as other people to make complaints to the Shire of Trayning.

OUTCOME 6 - People with disabilities have the same opportunities as other people to participate in any public consultation by the Shire of Trayning.

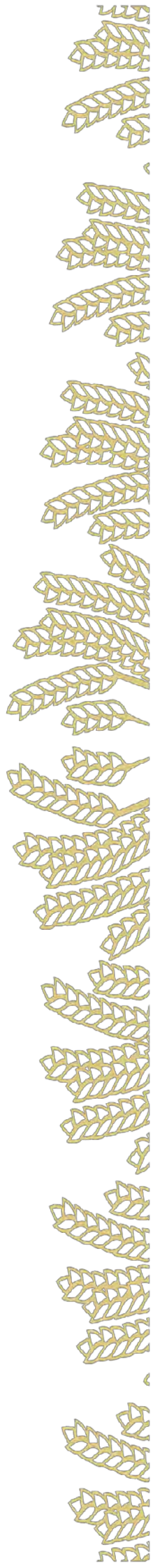
OUTCOME 7 - People with disabilities have the same opportunities as other people to obtain and maintain employment with a public authority.

GENERAL COMMENTS

In 2012 Council carried out community consultation on disability services via a public survey and through one on one consultation with the elderly residing in the Shire. Should anyone have a comment or suggestion regarding accessibility issues please contact the Shire office and discuss the matters you have to talk about.

Council continues to work to ensure that all of our new facilities are designed to meet the needs of the elderly and disabled.

Copies of the Disability Access and Inclusion Plan 2012-2017 are available upon request from the Shire Administration Office.





RECORD KEEPING PLAN

The Shire of Trayning remains committed to meeting the requirements of the State Records Act 2000.

Records are a core information resource and sound record keeping practices are acknowledged to contribute to overall effectiveness and efficiency of the organisation.

The Shire of Trayning's Record Keeping Plan was reviewed and approved by the State Records Commission and adopted at the April 2008 Meeting.

The Record Keeping Plan was reviewed in April 2013.

RETENTION AND DISPOSAL SCHEDULE

The Shire of Trayning utilises the general disposal authority of Local Government records as produced by the State Records Office for retention and disposal of records.

DISPOSAL PROGRAM IMPLEMENTED

The Shire of Trayning has implemented the General Disposal Authority for Local Government Records and conducts regular disposal of records and archiving on an annual basis.

AUTHORISATION FOR DISPOSAL OF RECORDS

Before any records are destroyed or transferred to the SRO they are reviewed by the Chief Executive Officer for the Shire of Trayning and authorised for destruction or transfer.

PERFORMANCE INDICATORS IN PLACE

The following performance indicator/control mechanisms has been developed to measure the efficiency and effectiveness of the Shire of Trayning's recordkeeping systems:

1. Perpetual diary system to check accuracy by random check of stored records
2. The annual destruction of records confirms whether or not the records are in the location the register records that they should be.

STAFF TRAINING, INFORMATION SESSIONS

The Shire of Trayning has implemented the following activities to ensure that all staff are aware of their record keeping responsibilities and compliance with the Record Keeping Plan:

- Presentations on various aspects of the Shire of Trayning's record keeping program are delivered as required
- In-house training sessions are conducted for the organisation's staff as required
- From time to time an external consultant is brought in to run a training session for staff. Staff are also encouraged to attend training courses outside the organisation whenever practicable.
- Staff information sessions are conducted as required.

NATIONAL COMPETITION POLICY

COMPETITION REFORM

National Competition Policy (NCP) is designed to enhance the efficiency and effectiveness of public sector agencies and lead to more efficient use of all economic resources. There are a number of specific requirements placed on Local Government in the areas of competitive neutrality, legislation review and structural reform. Each Local Government is required to report its progress in achieving NCP reforms in its annual report.

COMPETITIVE NEUTRALITY

The principle of competitive neutrality is that government businesses should not enjoy a competitive advantage, or disadvantage, simply as a result of their public sector ownership.

Competitive neutrality should apply to all business activities, which generate a user-pays income of over \$200,000 unless it can be shown it is not in the public interest.

As the Shire of Trayning does not have any 'Significant Business Activities' with an annual user-pays income exceeding \$200,000 p.a. this negates further action or reporting obligation.

LEGISLATION REVIEW

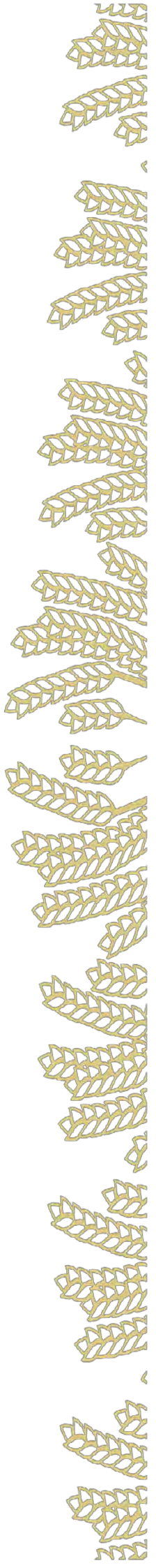
All Local Governments are required to assess which of their local laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome.

Local Laws are also required to be reviewed every eight years under the Local Government Act 1995. As the Local Laws were made in 2001, this review is now due. A consultant has been engaged to carry out the review.

STRUCTURAL REFORM

Before Local Governments privatise a monopoly business activity or introduce competition into a sector dominated by a monopoly or near monopoly, the regulatory and commercial activities must be separated and a review undertaken.

Where applicable, all Local Governments in Australia must report their adherence to structural reform principles. At present, this requirement has a very limited impact on Local Government in Western Australia, and most will not need to provide this information.



FREEDOM OF INFORMATION

THE FOLLOWING COUNCIL DOCUMENTS AVAILABLE FOR INSPECTION

Various documents are available for inspection by members of the public.

- Council Agendas & Minutes
- Annual Budgets
- Annual Report and Financial Statements
- Plan for the Future of the District-Five Year
- Five Year Financial Plan
- Council Policy Manual and Delegations Register
- Council & Staff Code of Conduct
- Rate Assessment Book
- Electoral Roll
- Local Laws
- Municipal Heritage Inventory

Council also delivers information to the public via the following:

- Annual Ratepayer Information Pamphlets sent with Rate Notices
- Council Notes in the Ninghan News
- Production of the Local Telephone Directory
- Dog & Bushfire Fire Control Pamphlets are also posted annually
- Local Tourism & Information Brochure

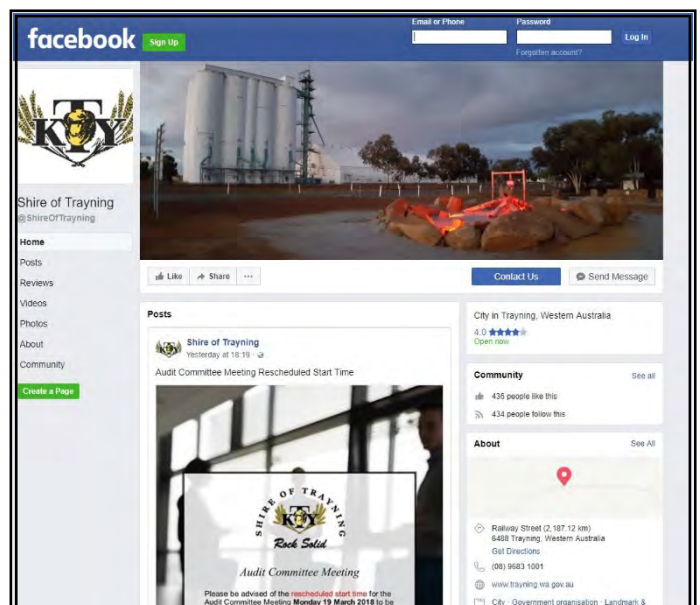
FREEDOM OF INFORMATION REQUESTS

During the year under review there was one formal request made by a member of the public under the Freedom of Information Act.

The Shire of Trayning welcomes enquires for any information held by Council.

If information cannot be accessed by a less formal means, a freedom of information request can be lodged to the following:

The Freedom of Information Officer
Shire of Trayning
PO Box 95
TRAYNING WA 6488



OTHER STATUTORY REQUIREMENTS

PUBLIC INTEREST DISCLOSURE

The Public Interest Disclosure Act was established by the Commissioner of Sector Standards under Section 20 of the Public Interest Disclosure Act 2003.

One of the principles of the new legislation is not just to provide protection to those who make disclosures (and those who are the subject of disclosures) but also encourages a system of transparency and accountability in the way government or government officials act and utilise public monies.

Matters that fall into the category of public interest include the following:

- Improper Conduct (irregular or unauthorised use of public resources);
- An offence under State Law including corruption (substantial unauthorised or irregular use of, or substantial mismanagement of, public resources);
- Administration matters generally (conduct involving a substantial risk of injury to public health, prejudice to public safety or harm to the environment).

Matters relating to the Shire of Trayning should be referred to the Shire of Trayning's Public Interest Disclosure Officer. Disclosures to the Public Disclosure Officer can be made not just about officers of a local authority but also its elected officials.

The Disclosure Act is to ensure that the disclosure is confidential and that the person making a disclosure is provided adequate protection from reprisals, civil and criminal liability, dismissal or breach of confidentiality.

The Shire of Trayning had no Public Interest Disclosures during the reporting period.

INFORMATION ON EMPLOYEE PAYMENTS

For the purpose of Regulation 19B of the Local Government (Administration) Regulations 1996 employee remuneration is required to be contained in Council's Annual Report.

Shown below in bands is the number of employees:

Entitled to an annual salary of 100,000 to 109,999 = 0

Entitled to an annual salary of 110,000 to 119,999 = 0

Entitled to an annual salary of 120,000 to 129,999 = 1

Entitled to an annual salary of 130,000 to 139,999 = 0

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

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Principal place of business:
Railway Street
Trayning WA 6488

SHIRE OF TRAYNING
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 *21* day of *MARCH* 2018



Graham Merrick
Chief Executive Officer

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	22	994,955	929,947	933,534
Operating grants, subsidies and contributions	29	2,604,447	2,064,831	1,273,479
Fees and charges	28	259,334	257,790	216,888
Interest earnings	2(a)	31,266	33,632	52,930
Other revenue	2(a)	389,762	30,481	304,008
		<u>4,279,764</u>	<u>3,316,681</u>	<u>2,780,839</u>
Expenses				
Employee costs		(952,572)	(1,399,180)	(969,184)
Materials and contracts		(1,508,445)	(1,101,443)	(1,507,785)
Utility charges		(121,324)	(112,350)	(120,785)
Depreciation on non-current assets	2(a)	(987,987)	(1,908,899)	(922,211)
Interest expenses	2(a)	(25,022)	(26,357)	(16,205)
Insurance expenses		(89,772)	(95,443)	(86,660)
Other expenditure		(123,095)	(140,143)	(113,168)
		<u>(3,808,217)</u>	<u>(4,783,815)</u>	<u>(3,735,998)</u>
		471,547	(1,467,134)	(955,159)
Non-operating grants, subsidies and contributions	29	898,277	1,288,360	968,917
Profit on asset disposals	20	0	8,000	0
(Loss) on asset disposals	20	0	0	(52,163)
Net result		1,369,824	(170,774)	(38,405)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(2,134,711)	0	(86,624)
Total other comprehensive income		(2,134,711)	0	(86,624)
Total comprehensive income		(764,887)	(170,774)	(125,029)

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

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		66,403	62,600	84,480
General purpose funding		2,604,392	2,005,532	1,478,965
Law, order, public safety		6,375	6,800	5,941
Health		180,287	138,732	182,785
Education and welfare		8,667	7,787	0
Housing		38,347	48,656	41,400
Community amenities		52,784	57,950	51,665
Recreation and culture		117,837	50,622	12,753
Transport		799,717	545,415	332,991
Economic services		314,490	295,333	506,302
Other property and services		90,465	97,254	83,557
		<u>4,279,764</u>	<u>3,316,681</u>	<u>2,780,839</u>
Expenses				
	2(a)			
Governance		(313,394)	(307,226)	(286,029)
General purpose funding		(85,133)	(90,920)	(81,301)
Law, order, public safety		(79,074)	(89,685)	(78,218)
Health		(169,522)	(183,412)	(333,242)
Education and welfare		(76,076)	(78,593)	(57,226)
Housing		(204,507)	(206,476)	(174,369)
Community amenities		(172,671)	(204,960)	(166,933)
Recreation and culture		(715,469)	(753,849)	(679,237)
Transport		(1,122,820)	(2,078,155)	(961,127)
Economic services		(838,968)	(734,710)	(882,786)
Other property and services		(5,561)	(29,472)	(19,325)
		<u>(3,783,195)</u>	<u>(4,757,458)</u>	<u>(3,719,793)</u>
Finance costs				
	2(a)			
Governance		(3,238)	(3,698)	0
Housing		0	0	(813)
Recreation and culture		(12,915)	(12,998)	(1,776)
Transport		(2,162)	(3,332)	(4,099)
Economic services		(6,145)	(6,329)	(4,838)
Other property and services		(562)	0	(4,679)
		<u>(25,022)</u>	<u>(26,357)</u>	<u>(16,205)</u>
		471,547	(1,467,134)	(955,159)
Non-operating grants, subsidies and contributions				
	29	898,277	1,288,360	968,917
Profit on disposal of assets	20	0	8,000	0
(Loss) on disposal of assets	20	0	0	(52,163)
Net result		<u>1,369,824</u>	<u>(170,774)</u>	<u>(38,405)</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(2,134,711)	0	(86,624)
Total other comprehensive income		<u>(2,134,711)</u>	<u>0</u>	<u>(86,624)</u>
Total comprehensive income		<u>(764,887)</u>	<u>(170,774)</u>	<u>(125,029)</u>

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

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

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,472,565	1,505,772
Trade and other receivables	4	139,841	192,317
Inventories	5	24,819	24,086
TOTAL CURRENT ASSETS		<u>1,637,225</u>	<u>1,722,175</u>
NON-CURRENT ASSETS			
Other receivables	4	75,958	76,598
Property, plant and equipment	6	10,672,074	11,042,155
Infrastructure	7	62,133,013	62,631,574
TOTAL NON-CURRENT ASSETS		<u>72,881,045</u>	<u>73,750,327</u>
TOTAL ASSETS		<u>74,518,270</u>	<u>75,472,502</u>
CURRENT LIABILITIES			
Trade and other payables	8	147,212	194,638
Current portion of long term borrowings	9	83,032	96,013
Provisions	10	100,162	148,110
TOTAL CURRENT LIABILITIES		<u>330,406</u>	<u>438,761</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	547,870	630,902
Provisions	10	20,352	18,310
TOTAL NON-CURRENT LIABILITIES		<u>568,222</u>	<u>649,212</u>
TOTAL LIABILITIES		<u>898,628</u>	<u>1,087,973</u>
NET ASSETS		<u>73,619,642</u>	<u>74,384,529</u>
EQUITY			
Retained surplus		21,357,759	20,093,485
Reserves- cash backed	11	1,198,297	1,092,747
Revaluation surplus	12	51,063,586	53,198,297
TOTAL EQUITY		<u>73,619,642</u>	<u>74,384,529</u>

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

**SHIRE OF TRAYNING
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		19,538,055	1,686,582	53,284,921	74,509,558
Comprehensive income					
Net result		(38,405)	0	0	(38,405)
Changes on revaluation of assets	12	<u>0</u>	<u>0</u>	<u>(86,624)</u>	<u>(86,624)</u>
Total comprehensive income		(38,405)	0	(86,624)	(125,029)
Transfers from/(to) reserves		593,835	(593,835)	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2016		20,093,485	1,092,747	53,198,297	74,384,529
Comprehensive income					
Net result		1,369,824	0	0	1,369,824
Changes on revaluation of assets	12	<u>0</u>	<u>0</u>	<u>(2,134,711)</u>	<u>(2,134,711)</u>
Total comprehensive income		1,369,824	0	(2,134,711)	(764,887)
Transfers from/(to) reserves		(105,550)	105,550	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2017		<u>21,357,759</u>	<u>1,198,297</u>	<u>51,063,586</u>	<u>73,619,642</u>

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

SHIRE OF TRAYNING
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		999,063	954,947	919,012
Operating grants, subsidies and contributions		2,648,839	2,064,831	1,347,013
Fees and charges		259,334	257,790	216,888
Interest earnings		31,266	33,332	53,410
Goods and services tax		342,484	0	291,098
Other revenue		389,762	339,320	313,652
		<u>4,670,748</u>	<u>3,650,220</u>	<u>3,141,073</u>
Payments				
Employee costs		(1,026,829)	(1,399,180)	(945,129)
Materials and contracts		(1,527,476)	(1,414,482)	(1,512,582)
Utility charges		(121,324)	(112,350)	(120,785)
Interest expenses		(25,799)	(26,357)	(17,179)
Insurance expenses		(89,772)	(95,443)	(86,660)
Goods and services tax		(341,878)	0	(351,373)
Other expenditure		(123,095)	(140,143)	(113,168)
		<u>(3,274,892)</u>	<u>(3,187,955)</u>	<u>(3,146,876)</u>
Net cash provided by (used in) operating activities	13(b)	<u>1,414,575</u>	<u>462,265</u>	<u>(5,803)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,064,403)	(1,390,000)	(1,765,003)
Payments for construction of infrastructure		(1,189,653)	(1,318,007)	(1,106,761)
Non-operating grants, subsidies and contributions		898,277	1,288,360	968,917
Proceeds from sale of fixed assets		0	8,000	115,000
Net cash provided by (used in) investment activities		<u>(1,355,779)</u>	<u>(1,411,647)</u>	<u>(1,787,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(96,013)	(96,013)	(111,470)
Proceeds from self supporting loans		4,010	0	3,866
Proceeds from new debentures		0	0	420,000
Net cash provided by (used in) financing activities		<u>(92,003)</u>	<u>(96,013)</u>	<u>312,396</u>
Net increase (decrease) in cash held		(33,207)	(1,045,395)	(1,481,254)
Cash at beginning of year		1,505,772	1,385,442	2,987,026
Cash and cash equivalents at the end of the year	13(a)	<u>1,472,565</u>	<u>340,047</u>	<u>1,505,772</u>

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

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

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)	23	311,179	374,095	1,216,836
		<u>311,179</u>	<u>374,095</u>	<u>1,216,836</u>
Revenue from operating activities (excluding rates)				
Governance		66,403	62,600	84,480
General purpose funding		1,618,797	1,075,585	556,784
Law, order, public safety		6,375	6,800	5,941
Health		180,287	138,732	182,785
Education and welfare		8,667	7,787	0
Housing		38,347	48,656	41,400
Community amenities		52,784	57,950	51,665
Recreation and culture		117,837	50,622	12,753
Transport		799,717	553,415	332,991
Economic services		314,490	295,333	506,302
Other property and services		90,465	97,254	83,557
		<u>3,294,169</u>	<u>2,394,734</u>	<u>1,858,658</u>
Expenditure from operating activities				
Governance		(316,632)	(310,924)	(286,029)
General purpose funding		(85,133)	(90,920)	(81,301)
Law, order, public safety		(79,074)	(89,685)	(78,218)
Health		(169,522)	(183,412)	(333,242)
Education and welfare		(76,076)	(78,593)	(57,226)
Housing		(204,507)	(206,476)	(222,140)
Community amenities		(172,671)	(204,960)	(166,933)
Recreation and culture		(728,384)	(766,847)	(681,013)
Transport		(1,124,982)	(2,081,487)	(970,431)
Economic services		(845,113)	(741,039)	(887,624)
Other property and services		(6,123)	(29,472)	(24,004)
		<u>(3,808,217)</u>	<u>(4,783,815)</u>	<u>(3,788,161)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	20	0	(8,000)	0
Loss on disposal of assets	20	0	0	52,163
Movement in deferred pensioner rates (non-current)		(3,520)	0	(902)
Movement in employee benefit provisions (non-current)		2,042	0	8,331
Movement in LSL Reserve (Added Back)		0	0	794
Movement in Work in Progress (Expensed)		0	0	684
Depreciation and amortisation on assets	2(a)	987,987	1,908,899	922,211
Amount attributable to operating activities		<u>783,640</u>	<u>(114,087)</u>	<u>270,614</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		898,277	1,288,360	968,917
Proceeds from disposal of assets	20	0	8,000	115,000
Purchase of property, plant and equipment	6(b)	(1,064,403)	(1,390,000)	(1,765,003)
Purchase and construction of infrastructure	7(b)	(1,189,653)	(1,318,007)	(1,106,761)
Amount attributable to investing activities		<u>(1,355,779)</u>	<u>(1,411,647)</u>	<u>(1,787,847)</u>
FINANCING ACTIVITIES				
Repayment of debentures	21(a)	(96,013)	(96,013)	(111,470)
Proceeds from new debentures	21(a)	0	0	420,000
Proceeds from self supporting loans		4,010	0	3,866
Transfers to reserves (restricted assets)	11	(840,550)	(54,229)	(660,104)
Transfers from reserves (restricted assets)	11	735,000	745,000	1,253,939
Amount attributable to financing activities		<u>(197,553)</u>	<u>594,758</u>	<u>906,231</u>
Surplus(deficiency) before general rates		<u>(769,691)</u>	<u>(930,976)</u>	<u>(611,002)</u>
Total amount raised from general rates	22	<u>985,595</u>	<u>917,719</u>	<u>922,181</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u><u>215,903</u></u>	<u><u>(13,257)</u></u>	<u><u>311,179</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements.

(a) Goods and Services Tax (GST)

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

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

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

(b) Cash and Cash Equivalents

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

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

SHIRE OF TRAYNING
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 TRAYNING
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 TRAYNING
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 - 50 years	2.0% - 3.3%
Furniture and Equipment	10 years	10%
Plant and Equipment	10 years	10%
Infrastructure		
- Sealed Roads		
R/Base	50 years	2%
Bitumen	10 years	10%
- Gravel Roads		
R/Base	50 years	2%
Bitumen	10 years	10%
- Formed/Unsealed Roads		
R/Base	50 years	2%
- Footpaths	10 years	10%
- Water Drainage	40 years	2.5%
- Airstrip		
G/Sheet	10 years	10%
Bitumen	10 years	10%

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(n) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes:

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

SHIRE OF TRAYNING
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:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>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.</p>
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SHIRE OF TRAYNING
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	25,002	22,436	
- Other Services	2,780	2,080	
Depreciation			
Buildings - non-specialised	55,265	55,265	
Buildings - specialised	187,676	136,992	
Furniture and equipment	6,777	8,645	
Plant and equipment	74,246	91,358	
Infrastructure - Roads	537,617	513,635	
Infrastructure - Footpaths	14,252	14,252	
Infrastructure - Airstrip	9,980	9,980	
Infrastructure - Water	13,253	13,253	
Infrastructure - Other	88,921	78,831	
	<u>987,987</u>	<u>922,211</u>	
Interest expenses (finance costs)			
Debentures (refer Note 21 (a))	24,460	16,205	
Interest on Overdraft	562	0	
	<u>25,022</u>	<u>16,205</u>	
Rental charges			
- Operating leases	21,085	60,992	
	<u>21,085</u>	<u>60,992</u>	
(ii) Crediting as revenue:			
Significant revenue			
Early Payment of Federal Assistance Grant			
WA Grants Commission	<u>783,207</u>	<u>0</u>	
Other revenue			
Reimbursements and recoveries	254,010	273,437	
Other	135,752	30,571	
	<u>389,762</u>	<u>304,008</u>	
	<u>987,987</u>	<u>922,211</u>	
	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions	1,357	0	2,027
- Reserve funds	10,308	8,032	17,896
- Other funds	2,826	20,000	22,266
Other interest revenue (refer note 27)	16,775	5,600	10,741
	<u>31,266</u>	<u>33,632</u>	<u>52,930</u>

SHIRE OF TRAYNING
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

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

COMMUNITY VISION

The Shire of Trayning is an active, safe and vibrant community that works together with honesty and is respectful of the values of all. We are committed to a progressive, diverse and profitable community that supports healthy lifestyles sustained by good social values and engaged youth. Our natural assets are valued, protected and enhanced for future generations.

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

GOVERNANCE

Administration and operation of facilities and services to members of Council. Other costs relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention, emergency services and animals.

HEALTH

Food quality control, pest control, immunisation services and community health service inspection.

EDUCATION AND WELFARE

Operation of Home and Community Care services, assistance to playgroups and other voluntary services.

HOUSING

Maintenance of staff and rental housing.

SHIRE OF TRAYNING
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)

COMMUNITY AMENITIES

Refuse collection services, operation of refuse sites, maintenance of cemeteries, septic tank inspection and pump out services, storm water drainage maintenance and regional development.

RECREATION AND CULTURE

Maintenance of halls, community centres, aquatic centre, recreation facilities and reserves, operation of library, TV retransmission and preparation of Shire history.

TRANSPORT

Construction and maintenance of streets and roads, cleaning and lighting of streets, depot maintenance, airstrip maintenance and vehicle licensing services.

ECONOMIC SERVICES

Regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and economic services.

OTHER PROPERTY AND SERVICES

Private works operations, plant repairs and operation costs.

SHIRE OF TRAYNING
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 \$
Education and welfare							
Wheatbelt Development Commission - Creating Aged Friendly Communities	44,374	0	(44,374)	0	0	0	0
CEACA	0	0	0	0	1,730	(1,730)	0
Housing							
Dept. Regional Development & Lands - CLGF (Individual) - Accommodation Units	293,304	0	(293,304)	0	0	0	0
Dept. Regional Development & Lands - CLGF (Regional) - Accommodation Units	735,260	0	(735,260)	0	0	0	0
Recreation and culture							
Lotterywest - Public Halls & Civic Centres	0	0	0	0	5,000	(5,000)	0
Dept Sport & Rec, - Community Pool	0	0	0	0	32,000	(32,000)	0
Revitalisation Program							
Trayning Grandstand Contributions	0	0	0	0	2,800	(2,800)	0
Trayning Sports Club - Contribution to new CRC	0	0	0	0	90,000	(90,000)	0
Transport							
Department of Infrastructure & Regional Development - Roads to Recovery	0	604,571	(567,451)	37,120	593,514	(543,134)	87,500
Regional Road Group	0	0	0	0	268,233	(268,233)	0
Economic services							
NEW ROC - Biofund	285,236	440,480	(487,574)	238,142	212,902	(409,910)	41,134
NRM - Biodiversity Grant	8,466	0	(4,582)	3,884	0	(3,884)	0
Department of Water - Community Water Grant	3,024	0	(3,024)	0	0	0	0
NRM Grant	0	0	0	0	15,625	0	15,625
Thank a Volunteer Day	0	0	0	0	1,000	(1,000)	0
Total	<u>1,369,664</u>	<u>1,045,051</u>	<u>(2,135,569)</u>	<u>279,146</u>	<u>1,222,804</u>	<u>(1,357,691)</u>	<u>144,259</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 TRAYNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Cash on Hand- Unrestricted		400	400
Cash at Bank - Municipal		273,868	412,625
Restricted- Reserves		<u>1,198,297</u>	<u>1,092,747</u>
		<u><u>1,472,565</u></u>	<u><u>1,505,772</u></u>
Cash at Bank - Municipal			
Unrestricted Cash		129,609	133,479
Restricted Cash (refer to note 2(c))		<u>144,259</u>	<u>279,146</u>
		<u><u>273,868</u></u>	<u><u>412,625</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Leave Reserve	11	28,905	28,509
Reserves cash backed - Plant Reserve	11	284,988	355,061
Reserves cash backed - Building Reserve	11	8,914	8,792
Reserves cash backed - Facilities Reserve	11	7,350	7,249
Reserves cash backed - Medical Reserve	11	54,145	53,404
Reserves cash backed - Rubbish Tip Reserve	11	4,118	28,719
Reserves cash backed - Swimming Pool Reserve	11	8,759	8,639
Reserves cash backed - Unspent Grants & Loans Reserve	11	783,394	350,000
Reserves cash backed - Community Recreation Centre Reserve	11	<u>17,724</u>	<u>252,374</u>
		<u><u>1,198,297</u></u>	<u><u>1,442,747</u></u>

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

	2017	2016
	\$	\$
4 TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	115,613	126,419
Sundry debtors	36,921	67,456
GST receivable	57,498	58,104
Loans receivable - clubs/institutions	4,160	4,010
Provision for Doubtful Debts	(81,721)	(67,821)
Accrued Income/Payments in Advance	7,370	4,149
	<u>139,841</u>	<u>192,317</u>
Non-current		
Rates outstanding - pensioners	44,875	41,355
Loans receivable - clubs/institutions	31,083	35,243
	<u>75,958</u>	<u>76,598</u>

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

Rates outstanding	<u>115,613</u>	<u>126,419</u>
Includes:		
Past due and not impaired	50,645	94,685
Impaired	<u>64,968</u>	<u>31,734</u>
Sundry debtors	<u>36,921</u>	<u>67,456</u>
Includes:		
Past due and not impaired	2,458	6,477
Impaired	<u>16,753</u>	<u>36,087</u>

5. INVENTORIES

Current		
Fuel and Materials	24,819	24,086
	<u>24,819</u>	<u>24,086</u>

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

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land at:		
- Independent Valuation 2017 - Level 2	218,000	236,000
- Independent Valuation 2017 - Level 3	18,000	24,000
	<u>236,000</u>	<u>260,000</u>
 Buildings - non-specialised at:		
- Independent Valuation 2017 - Level 2	969,000	1,690,000
- Additions after valuation - cost	0	323,773
Less: accumulated depreciation	0	(97,823)
	<u>969,000</u>	<u>1,915,950</u>
 Buildings - specialised at:		
- Independent Valuation 2017 - Level 3	8,623,112	10,350,756
- Additions after valuation - cost	0	1,461,028
Less: accumulated depreciation	0	(3,620,105)
	<u>8,623,112</u>	<u>8,191,679</u>
	<u>9,592,112</u>	<u>10,107,629</u>
 Total land and buildings	<u>9,828,112</u>	<u>10,367,629</u>
 Furniture and equipment at:		
- Management Valuation 2016 - Level 2	12,704	12,704
- Management Valuation 2016 - Level 3	45,913	45,913
- Additions after valuation - cost	11,939	0
Less accumulated depreciation	(6,777)	0
	<u>63,779</u>	<u>58,617</u>
 Plant and equipment at:		
- Independent Valuation 2016 - Level 2	615,909	615,909
- Additions after valuation - cost	238,520	0
Less accumulated depreciation	(74,246)	0
	<u>780,183</u>	<u>615,909</u>
	<u>10,672,074</u>	<u>11,042,155</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 TRAYNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	260,000	0	0	(24,000)	0	0	0	0	236,000
Total land	260,000	0	0	(24,000)	0	0	0	0	236,000
Buildings - non-specialised	1,915,950	45,642	0	(937,327)	0	0	(55,265)	0	969,000
Buildings - specialised	8,191,679	768,302	0	(149,193)	0	0	(187,676)	0	8,623,112
Total buildings	10,107,629	813,944	0	(1,086,520)	0	0	(242,941)	0	9,592,112
Total land and buildings	10,367,629	813,944	0	(1,110,520)	0	0	(242,941)	0	9,828,112
Furniture and equipment	58,617	11,939	0	0	0	0	(6,777)	0	63,779
Plant and equipment	615,909	238,520	0	0	0	0	(74,246)	0	780,183
Total property, plant and equipment	11,042,155	1,064,403	0	(1,110,520)	0	0	(323,964)	0	10,672,074

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties.	Independent registered valuers	June 2017	Price per hectare.
Land - freehold land	3	Improvements to land value using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment					
	2	Market approach using recent observable market data for similar items.	Management valuation	June 2016	Price per item
Furniture and Equipment	3	Cost approach using depreciated replacement cost.	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Price per item

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

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management Valuation 2015 - level 3	71,194,015	71,194,015
- Additions after valuation - cost	2,185,120	1,103,031
Roads - Less: accumulated depreciation	<u>(13,982,333)</u>	<u>(13,444,716)</u>
	59,396,802	58,852,330
Infrastructure - Footpaths		
- Management Valuation 2015 - Level 3	1,071,597	1,071,597
Less accumulated depreciation	<u>(748,789)</u>	<u>(734,537)</u>
	322,808	337,060
Infrastructure - Airstrip		
- Management Valuation 2015 - Level 3	891,072	891,072
Less accumulated depreciation	<u>(88,907)</u>	<u>(78,927)</u>
	802,165	812,145
Infrastructure - Water		
- Management Valuation 2015 - Level 3	657,000	657,000
Less accumulated depreciation	<u>(454,506)</u>	<u>(441,253)</u>
	202,494	215,747
Infrastructure - Other		
- Independent Valuation 2017 - Level 3	1,408,744	2,678,064
- Additions after valuation - cost	0	455,302
Less accumulated depreciation	<u>0</u>	<u>(719,074)</u>
	1,408,744	2,414,292
	<u><u>62,133,013</u></u>	<u><u>62,631,574</u></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 TRAYNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	58,852,330	1,082,089	0	0	0	0	(537,617)	0	59,396,802
Infrastructure - Footpaths	337,060	0	0	0	0	0	(14,252)	0	322,808
Infrastructure - Airstrip	812,145	0	0	0	0	0	(9,980)	0	802,165
Infrastructure - Water	215,747	0	0	0	0	0	(13,253)	0	202,494
Infrastructure - Other	2,414,292	107,564	0	(1,024,191)	0	0	(88,921)	0	1,408,744
Total infrastructure	<u>62,631,574</u>	<u>1,189,653</u>	<u>0</u>	<u>(1,024,191)</u>	<u>0</u>	<u>0</u>	<u>(664,023)</u>	<u>0</u>	<u>62,133,013</u>

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airstrip	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Water	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	111,683	119,458
Accrued interest on debentures	3,169	3,946
Accrued salaries and wages	8,129	42,940
PAYG Payable	24,231	17,771
FBT Liability	0	10,523
	147,212	194,638

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	83,032	96,013
	83,032	96,013
Non-current		
Secured by floating charge		
Debentures	547,870	630,902
	547,870	630,902

Additional detail on borrowings is provided in Note 21

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	66,667	81,443	148,110
Non-current provisions	0	18,310	18,310
	66,667	99,753	166,420
Additional provision	(2,987)	(42,919)	(45,906)
Balance at 30 June 2017	63,680	56,834	120,514
Comprises			
Current	63,680	36,482	100,162
Non-current	0	20,352	20,352
	63,680	56,834	120,514

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

11. RESERVES CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Leave Reserve	28,509	396	0	28,905	28,509	713	0	29,222	27,715	794	0	28,509
Plant Reserve	355,061	4,927	(75,000)	284,988	355,061	4,002	(85,000)	274,063	207,423	238,638	(91,000)	355,061
Building Reserve	8,792	122	0	8,914	8,791	220	0	9,011	8,547	245	0	8,792
Facilities Reserve	7,249	101	0	7,350	7,249	181	0	7,430	7,047	202	0	7,249
Medical Reserve	53,404	741	0	54,145	53,404	1,335	0	54,739	51,916	1,488	0	53,404
Rubbish Tip Reserve	28,719	399	(25,000)	4,118	28,720	718	(25,000)	4,438	14,157	14,562	0	28,719
Swimming Pool Reserve	8,639	120	0	8,759	8,640	216	0	8,856	8,399	240	(0)	8,639
Unspent Grants & Loans Reserve	350,000	783,394	(350,000)	783,394	350,000	0	(350,000)	0	1,162,939	350,000	(1,162,939)	350,000
Community Recreation Centre Reserve	252,374	50,350	(285,000)	17,724	252,373	46,844	(285,000)	14,217	198,439	53,935	0	252,374
	<u>1,092,747</u>	<u>840,550</u>	<u>(735,000)</u>	<u>1,198,297</u>	<u>1,092,747</u>	<u>54,229</u>	<u>(745,000)</u>	<u>401,976</u>	<u>1,686,582</u>	<u>660,104</u>	<u>(1,253,939)</u>	<u>1,092,747</u>

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

The balance in the Unspent Grants & Loans Reserve represents untied grant funds received in advance quarantined for use in future periods. In 2016 the balance in the Unspent Grants & Loans Reserve is unspent loan funds from loan 69, which has been fully expended by 30 June 2017 on the Community Recreation Centre.

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

11. RESERVES CASH BACKED (continued)

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	Ongoing	To be used to fund annual and long service leave requirements.
Plant Reserve	Ongoing	To be used for the purchase of major plant.
Building Reserve	Ongoing	To be used for the construction of housing and other facilities.
Facilities Reserve	Ongoing	To be used to provide new facilities to the shire.
Medical Reserve	Ongoing	To be used to maintain the services of a doctor and other medical services.
Rubbish Tip Reserve	Ongoing	To be used to upgrade and expand rubbish tips within the Shire.
Swimming Pool Reserve	Ongoing	To be used upgrade the swimming pool and aquatic centre facilities.
Unspent Grants & Loans Reserve	Ongoing	To be used to set aside grant and loan funds received and committed to be spent on specific projects or in future financial reporting periods.
Community Recreation Centre Reserve	June 2018	To be used for the construction of a Community Recreation Centre

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

12 REVALUATION SURPLUS

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	(Decrement)	Movement on	Balance	Balance	Increment	(Decrement)	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	5,629,650	0	(1,110,520)	(1,110,520)	4,519,130	5,629,650	0	0	0	5,629,650
Revaluation surplus - Furniture and equipment	13,418	0	0	0	13,418	16,290	0	(2,872)	(2,872)	13,418
Revaluation surplus - Plant and equipment	83,299	0	0	0	83,299	167,051	0	(83,752)	(83,752)	83,299
Revaluation surplus - Infrastructure - Roads	44,605,609	0	0	0	44,605,609	44,605,609	0	0	0	44,605,609
Revaluation surplus - Infrastructure - Footpaths	324,341	0	0	0	324,341	324,341	0	0	0	324,341
Revaluation surplus - Infrastructure - Airstrip	734,439	0	0	0	734,439	734,439	0	0	0	734,439
Revaluation surplus - Infrastructure - Water	190,556	0	0	0	190,556	190,556	0	0	0	190,556
Revaluation surplus - Infrastructure - Other	1,616,985	0	(1,024,191)	(1,024,191)	592,794	1,616,985	0	0	0	1,616,985
	<u>53,198,297</u>	<u>0</u>	<u>(2,134,711)</u>	<u>(2,134,711)</u>	<u>51,063,586</u>	<u>53,284,921</u>	<u>0</u>	<u>(86,624)</u>	<u>(86,624)</u>	<u>53,198,297</u>

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

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>1,472,565</u>	<u>340,047</u>	<u>1,505,772</u>

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

Net result	1,369,824	(170,774)	(38,405)
Non-cash flows in Net result:			
Depreciation	987,987	1,908,899	922,211
(Profit)/Loss on sale of asset	0	(8,000)	52,163
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	49,106	25,000	11,032
(Increase)/Decrease in inventories	(733)	(4,500)	24,108
(Increase)/Decrease in work in progress	0	0	684
Increase/(Decrease) in payables	(47,426)	0	(18,990)
Increase/(Decrease) in provisions	(45,906)	0	10,311
Grants contributions for the development of assets	<u>(898,277)</u>	<u>(1,288,360)</u>	<u>(968,917)</u>
Net cash from operating activities	<u>1,414,575</u>	<u>462,265</u>	<u>(5,803)</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	200,000	200,000
Bank overdraft at balance date	0	0
Credit card limit	7,000	7,000
Credit card balance at balance date	<u>(3,273)</u>	<u>(1,720)</u>
Total amount of credit unused	<u>203,727</u>	<u>205,280</u>
Loan facilities		
Loan facilities - current	83,032	96,013
Loan facilities - non-current	<u>547,870</u>	<u>630,902</u>
Total facilities in use at balance date	<u>630,902</u>	<u>726,915</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>350,000</u>

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

14. CONTINGENT LIABILITIES

Council have no Contingent Liabilities as at 30 June 2017

15. 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	3,960	20,425
- later than one year but not later than five years	0	0
	3,960	20,425

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

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	0	479,112
Payable:		
- not later than one year	0	479,112

The Shire did not have any future capital expenditure commitments at the reporting date.
The capital expenditure project commitment at the end of the prior year is for the upgrade of the community recreation centre.

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

16. JOINT VENTURE ARRANGEMENTS

The Shire is in a joint venture with the Shires of Mt Marshall, Mukinbudin and Nungarin to provide medical services. The Shire has a 30% interest in this service which provides a doctor in Trayning 1 day per week.

In May 2017 the joint venture purchased a motor vehicle from surplus funds. The vehicle is registered to the Shire.

Council has a percentage based agreement with the other shires whereby income and expenditure is split four as follows: Trayning 30%, Mt Marshall 30%, Mukinbudin 30%, Nungarin 10%.

Shire of Trayning expenses in relation to this joint venture amounted to \$100,369 in 2016/17.

There is no profit on this joint venture.

	2017	2016
	\$	\$
Non-current assets		
Plant and equipment	54,296	0
Less: accumulated depreciation	(1,180)	0
	<u>53,116</u>	<u>0</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	2,271,713	1,199,707
General purpose funding	160,488	167,774
Law, order, public safety	95,702	97,117
Health	107,261	53,404
Education and welfare	1,085,257	248,047
Housing	1,591,822	4,343,505
Community amenities	172,813	211,980
Recreation and culture	5,787,515	6,304,913
Transport	62,124,222	60,950,850
Economic services	461,240	822,725
Other property and services	592,543	982,083
Unallocated	67,694	90,397
	<u>74,518,270</u>	<u>75,472,502</u>

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

	2017	2016	2015
18. FINANCIAL RATIOS			
Current ratio	0.98	0.85	2.73
Asset sustainability ratio	1.44	1.12	1.79
Debt service cover ratio	12.27	(0.54)	11.92
Operating surplus ratio	0.31	(0.67)	0.37
Own source revenue coverage ratio	0.40	0.40	0.37

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 60 of this document.

Two 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 2017 current ratio was not affected by this, unlike the 2015 current ratio, as these funds were transferred to reserves.

The early payment of the grant increased operating revenue in 2017 by \$783,207.

Two of the 2016 and three of the 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 \$748,031.

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	0.98	0.85	1.05
Debt service cover ratio	5.80	5.32	5.76
Operating surplus ratio	(0.20)	(0.17)	(0.18)

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

19. 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
	\$	\$	(\$)	\$
Football Club Funds	3,348	0	(3,348)	0
Ninghan Fitness Centre	474	6	(252)	228
Toy Library	771	0	0	771
Red FM Radio/Gym	317	0	0	317
Kununoppin Fire Brigade	500	0	0	500
Shire Housing Bonds	8,308	3,699	(5,919)	6,088
Trayning Golf Club Funds	5,903	0	0	5,903
Badmington Funds	387	0	(387)	0
Halls and Equipment Hire Bond	0	400	(100)	300
Unidentified Deposits	3,018	140	(140)	3,018
South Ninghan Catchment Group Funds	2,416	0	0	2,416
Repertory Funds	1,707	0	0	1,707
Aqua Bubble Donations	971	0	0	971
Ninghan Farm Focus Group	250	0	0	250
Playgroup Funds	1,226	0	0	1,226
	<u>29,596</u>			<u>23,695</u>

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Transport								
Old Tipper Bowl	0	0	0	0	0	8,000	8,000	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest		
	1 July		Loans	Actual	Budget	Actual	Budget	Actual	Budget
	2016				30 June 2017				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance									
Loan 65 - Lot 90 Railway Street	67,182	0	25,736	25,736	41,446	41,446	3,238	3,698	
Recreation and culture									
Loan 69 - Community Recreation Centre	350,000	0	12,545	12,545	337,455	337,455	11,551	11,586	
Transport									
Loan 66 - Grader	49,812	0	32,733	32,733	17,079	17,079	2,162	3,332	
Economic services									
Loan 68 - Trayning Unmanned Fuel Site	150,668	0	14,774	14,774	135,894	135,894	4,312	4,513	
Loan 70 - Trayning Unmanned Fuel Site	70,000	0	6,215	6,215	63,785	63,785	1,833	1,816	
	<u>687,662</u>	<u>0</u>	<u>92,003</u>	<u>92,003</u>	<u>595,659</u>	<u>595,659</u>	<u>23,096</u>	<u>24,945</u>	
<u>Self Supporting Loans</u>									
Recreation and culture									
Loan 67 - SSL - Bowls Resurface*	39,253	0	4,010	4,010	35,243	35,243	1,364	1,412	
	<u>39,253</u>	<u>0</u>	<u>4,010</u>	<u>4,010</u>	<u>35,243</u>	<u>35,243</u>	<u>1,364</u>	<u>1,412</u>	
	<u>726,915</u>	<u>0</u>	<u>96,013</u>	<u>96,013</u>	<u>630,902</u>	<u>630,902</u>	<u>24,460</u>	<u>26,357</u>	

*Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

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

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

Particulars	Date	Balance	Borrowed	Expended	Balance
	Borrowed	1 July 16	During	During	30 June 17
		\$	\$	\$	\$
Loan 69 - CRC Renovations	Jun 2016	350,000	0	(350,000)	0
		<u>350,000</u>	<u>0</u>	<u>(350,000)</u>	<u>0</u>

The Shire had no unspent debentures as at 30 June 2017.

The Shire had unspent debentures of \$350,000 as at 30 June 2016, which were transferred to the Shire's Unspent Grants & Loans Reserve.

(d) Overdraft

Council has an overdraft facility of \$200,000 with Westpac Bank which was taken out in June 2007.

The balance of the overdraft at the bank as at 30 June 2016 and 30 June 2017 was \$Nil.

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

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Kununoppin & Trayning	21.2192	104	572,312	121,440	1,765	0	123,205	121,440	0	0	121,440
Yelbeni	21.2192	3	11,660	2,474	40	0	2,514	2,474	0	0	2,474
Commercial	21.2192	12	84,010	17,826	0	0	17,826	17,826	0	0	17,826
Unimproved value valuations											
Rural	2.0244	206	41,255,000	835,166	36,287	0	871,453	835,166	0	0	835,166
Sub-Total		325	41,922,982	976,907	38,092	0	1,014,999	976,907	0	0	976,907
Minimum payment	Minimum \$										
Gross rental value valuations											
Kununoppin & Trayning	300	31	13,411	9,300	0	0	9,300	9,300	0	0	9,300
Yelbeni	300	6	925	1,800	0	0	1,800	1,800	0	0	1,800
Commercial	300	2	455	600	0	0	600	600	0	0	600
Unimproved value valuations											
Rural	330	6	56,900	1,980	0	0	1,980	1,980	0	0	1,980
Sub-Total		45	71,691	13,680	0	0	13,680	13,680	0	0	13,680
		370	41,994,673	990,587	38,092	0	1,028,679	990,587	0	0	990,587
Discounts/concessions (refer note 26)							(43,084)				(72,868)
Total amount raised from general rate							985,595				917,719
Ex-gratia rates							12,228				12,228
Movement in excess rate							(2,868)				0
Totals							994,955				929,947

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

23. 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>215,903</u>	<u>311,179</u>	<u>311,179</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	130,009	133,879	133,879
Restricted	1,342,556	1,371,893	1,371,893
Receivables			
Rates outstanding	115,613	126,419	126,419
Sundry debtors	36,921	67,456	67,456
GST receivable	57,498	58,104	58,104
Loans receivable - clubs/institutions	4,160	4,010	4,010
Provision for Doubtful Debts	(81,721)	(67,821)	(67,821)
Accrued Income/Payments in Advance	7,370	4,149	4,149
Inventories			
Fuel Oil & Materials	24,819	24,086	24,086
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(111,683)	(119,458)	(119,458)
Accrued interest on debentures	(3,169)	(3,946)	(3,946)
Accrued salaries and wages	(8,129)	(42,940)	(42,940)
ATO liabilities	(24,231)	(17,771)	(17,771)
FBT Liability	0	(10,523)	(10,523)
Current portion of long term borrowings			
Secured by floating charge	(83,032)	(96,013)	(96,013)
Provisions			
Provision for annual leave	(63,680)	(66,667)	(66,667)
Provision for long service leave	(36,482)	(81,443)	(81,443)
Unadjusted net current assets	<u>1,306,819</u>	<u>1,283,414</u>	<u>1,283,414</u>
Adjustments			
Less: Reserves - restricted cash	(1,198,297)	(1,092,747)	(1,092,747)
Less: Loans receivable - clubs/institutions	(4,160)	(4,010)	(4,010)
Add: Current portion of long term borrowings			
Secured by floating charge	83,032	96,013	96,013
Add: Component of Leave Liability not required to be funded	28,509	28,509	28,509
Adjusted net current assets - surplus/(deficit)	<u><u>215,903</u></u>	<u><u>311,179</u></u>	<u><u>311,179</u></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 TRAYNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

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

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

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

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	5.00%		39,090	37,500	Payment of full rates amount owing including arrears, received within 21 days from the date of issue of the rates notice.
Rate Assessment	Write-off		3,994	35,368	
			43,084	72,868	

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

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	5 October 2017	0	0.00%	0.00%
Option Three				
First Instalment	5 October 2016	15	5.50%	11.00%
Second Instalment	5 December 2016	15	5.50%	11.00%
Third Instalment	6 February 2017	15	5.50%	11.00%
Fourth Instalment	10 April 2017	15	5.50%	11.00%
			Revenue \$	Budgeted Revenue \$
Interest on unpaid rates			14,801	4,000
Interest on instalment plan			1,330	1,300
Interest on unpaid ESL			644	300
Charges on instalment plan			1,440	1,000

18,215	6,600
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SHIRE OF TRAYNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

28. FEES & CHARGES	2017	2016
	\$	\$
Governance	25,782	26,354
General purpose funding	1,440	1,020
Law, order, public safety	1,731	1,441
Health	29,770	30,720
Housing	38,092	40,694
Community amenities	48,978	51,665
Recreation and culture	17,744	8,959
Economic services	27,892	24,827
Other property and services	67,905	31,208
	<u>259,334</u>	<u>216,888</u>

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

29. 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		
General purpose funding	1,578,732	494,008
Law, order, public safety	4,000	4,000
Recreation and culture	5,000	2,000
Transport	787,188	332,991
Economic services	229,527	440,480
	<u>2,604,447</u>	<u>1,273,479</u>
Non-operating grants, subsidies and contributions		
Education and welfare	1,730	0
Recreation and culture	34,800	46,051
Transport	861,747	922,762
Economic services	0	104
	<u>898,277</u>	<u>968,917</u>
	<u>3,502,724</u>	<u>2,242,396</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

16	17
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31. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	29,085	34,480	34,485
President's allowance	12,350	12,350	12,350
Deputy President's allowance	3,088	3,088	8,300
Travelling expenses	4,620	4,500	4,543
IT Allowance	4,253	3,850	4,125
Telecommunications allowance	17,128	10,850	11,625
	<u>70,524</u>	<u>69,118</u>	<u>75,428</u>

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

32. 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	244,098
Post-employment benefits	33,468
Other long-term benefits	11,153
	288,719

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 31.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

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 has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 16.

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

32. RELATED PARTY TRANSACTIONS (Continued)

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	6,809
Purchase of goods and services	56,010
Joint venture entities:	
Distributions received from joint venture entities	0
Amounts outstanding from related parties:	
Trade and other receivables	20
Loans to associated entities	0
Loans to key management personnel	0
Amounts payable to related parties:	
Trade and other payables	1,077
Loans from associated entities	0

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

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

33. MAJOR LAND TRANSACTIONS

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

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,472,565	1,505,772	1,472,565	1,505,772
Receivables	215,799	268,915	215,799	268,915
	<u>1,688,364</u>	<u>1,774,687</u>	<u>1,688,364</u>	<u>1,774,687</u>
Financial liabilities				
Payables	147,212	194,638	147,212	194,638
Borrowings	630,902	726,915	639,639	764,457
	<u>778,114</u>	<u>921,553</u>	<u>786,851</u>	<u>959,095</u>

Fair value is determined as follows:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. 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	14,723	15,058
- Statement of Comprehensive Income	14,723	15,058

Notes:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	82%	60%
- Overdue	18%	40%

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

35. 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	147,212	0	0	147,212	147,212
Borrowings	103,679	242,104	416,638	762,421	630,902
	<u>250,891</u>	<u>242,104</u>	<u>416,638</u>	<u>909,633</u>	<u>778,114</u>
<u>2016</u>					
Payables	194,638	0	0	194,638	194,638
Borrowings	121,606	292,342	495,977	909,925	726,915
	<u>316,244</u>	<u>292,342</u>	<u>495,977</u>	<u>1,104,563</u>	<u>921,553</u>

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

35. 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	17,079	41,446	0	0	0	572,377	630,902	3.46%
Weighted average Effective interest rate	5.78%	5.75%				3.23%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	49,812	67,181	0	0	609,922	726,915	3.63%
Weighted average Effective interest rate		5.78%	5.75%			3.22%		

**SHIRE OF TRAYNING
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	0.62	0.64	0.63
Asset renewal funding ratio	0.98	0.95	0.94

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

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

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Opinion on the Audit of the Financial Report

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

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

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

Basis for Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial management practices of the Shire.

In our opinion, the Shire experienced a significant adverse trend in its financial position as evidenced by:

- i. The Shire's low level of total cash (including capital reserves).
- ii. The current level of the Shire's Debt Service Cover and Own Source Revenue Coverage ratios.
- iii. Negative Operating Surplus ratio for the last five years.
- iv. Cash generated by operating activities being significantly less than cash used for capital projects over the last two years.

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

Report on Other Legal and Regulatory Requirements (Continued)

- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995 (as amended)*, the *Local Government (Financial Management) Regulations 1996 (as amended)* or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - v. reasonably calculated; and
 - vi. based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

Other Information

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

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

Responsibilities of Management and Council for the Financial Report

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 23 February 2018
Perth, WA

23 February 2018

MOORE STEPHENS

Cr MA Brown
The Shire President
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Dear Cr Brown

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2017

We advise that we have completed our audit procedures for the year ended 30 June 2017 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to the Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

SIGNIFICANT ADVERSE TREND IN FINANCIAL POSITION

As highlighted in our audit report this year, we have noted a significant adverse trend in the financial position of the Shire.

This trend was evidenced by:

i. The Shire's low level of total cash (including capital reserves)

If it were not for the early payment of the 2017/18 Financial Assistance Grants, the Shire would have a total cash position of only \$689,358 (including capital reserves of \$415,090).

Due to the Shire's low level of total cash (including capital reserves), there is likely to be a reliance on borrowings to fund capital projects in the future, which will have a further negative impact on the Shire's financial position.

ii. The current level of the Shire's Debt Service Cover and Own Source Revenue Coverage ratios

As per the comments on the ratios below, the Shire's Debt Service Cover and Own Source Revenue coverage ratios are both below the target level and Regional and State 5 year averages.

iii. Negative Operating Surplus ratio for the last five years

As per the comments on the ratios below, a negative ratio indicates the Shire is experiencing an operating deficit. Sustained periods of deficits will erode the Shire's ability to service debt and maintain both its operational service level and asset base over the longer term.

iv. Cash generated by operating activities being significantly less than cash used for capital projects over the last two years.

This has led to the requirement to fund capital projects from reserves or borrowings, thus weakening the Shire's overall financial position. Whilst the purpose of reserves is to set aside funds for future capital projects, depletion of all reserve accounts at the same time is not recommended.

YEAR END AUDIT READINESS AND EFFICIENCY

As you are aware, we conducted our year-end visit from 30th to 31st August 2017 as scheduled.

We found our audit requirements (requested in advance) had not been fully met at the time of our audit visit. The fair value accounting for land and building assets and the annual financial report was not completed. Staff experienced difficulties, from what appeared to be capacity constraints, in reconciling the fair value accounting and preparing the annual financial report. This was further exacerbated by staff turnover during the process.

Whilst we were able to complete most of our necessary audit procedures onsite, a significant amount of audit testing (including the review of the complete financial report and the testing of fair value accounting for land and building assets as required by Financial Management Regulation 17A) was outstanding at the completion of our visit. We were only able to complete and finalise procedures remotely from our office in the period September to February 2017 after further reconciliations and additional information was provided to us.

As is obvious by the time taken to finalise the report, the process has been far from efficient. This has resulted in a late audit report and increased costs.

To ensure this situation is rectified and does not present itself again, sufficient accounting resources should be allocated to the fair value accounting process with the goal of meeting the 31 December deadline for having the audited Financial Report completed and sent to the Department.

COMMENT ON RATIOS

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future. Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and commentary provided on the following pages.

	Target Ratio ¹	Actual 2017	Council's Adjusted Ratios					Council's 5 Year Trend ²	5 Year Average ³	
			2017	2016	2015	2014	2013		Regional	State
Current Ratio	≥ 1	0.98	0.98	0.85	1.05*	0.89	1.83	↓	2.33	2.22
Asset Sustainability Ratio	≥ 1.1	1.44	1.44	1.12	1.79	4.01	3.53	↓	1.31	1.18
Debt Service Cover Ratio	≥ 15	12.27	5.80	5.32*	5.76*	3.03	5.47	↑	10.37	12.41
Operating Surplus Ratio	≥ 0.15	0.31	(0.20)	(0.17)*	(0.18)*	(0.32)	(0.14)	↑	(0.18)	(0.11)
Own Source Revenue Coverage Ratio	≥ 0.9	0.40	0.40	0.40	0.37	0.37	0.41	↑	0.54	0.67
Asset Consumption Ratio	≥ 0.75	0.62	0.62	0.64	0.63	0.54	0.75	↓	0.79	0.73
Asset Renewal Funding Ratio	≥ 1.05	0.98	0.98	0.95	0.94	0.89	0.92	↑	0.97	0.94

¹ Target ratios per Department of Local Government, Sport and Cultural Industries (DLGSCl) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGSCl Guidelines indicate a target Debt Service Cover Ratio of 5.

² The 5-year trend compares the adjusted 2017 ratio to the average of the adjusted ratios for the last 5 years.

³ The average in relation to the Regional and State comparisons is a 5 year average of 2012, 2013, 2014, 2015 and 2016.

* Adjusted for "one-off" timing/ non-cash items.

COMMENT ON RATIOS (CONTINUED)**Adjustment relating to 2017**

Two of the ratios in the accompanying table were distorted by an item of significant revenue relating to the early payment of 2017/18 Financial Assistance Grants (FAGs) totalling \$783,207 received before 30 June 2017. The early payment of the grant increased operating revenue in 2017.

This item is considered "one-off" timing in nature and was adjusted when calculating the ratios in the above table (as shown by "**") as were relevant comparative year ratios (which had been affected by similar "one-off" items).

Regional and State 5 Year Averages

Regional and State 5 year averages have not been adjusted for "one-off" items even though these items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of a trend.

Commentary on Specific Ratios

- **Debt Service Cover Ratio**

The Debt Service Cover Ratio measures Council's ability to service debt out of its uncommitted or general purpose funds available from its operations.

This ratio is below the target level and both Regional and State 5 year averages.

Based on our experience a Local Government of your circumstances, with a Debt Service Cover Ratio consistently below 15, would likely experience difficulty in maintaining assets and service levels over the medium and longer term.

Further, analysis of the Shire's Statement of Comprehensive Income in conjunction with the Statement of Cash Flows over the last two years, indicates cash generated by operating activities to be significantly less than cash used in investing activities (Capital Projects). This has led to the requirement to fund capital projects from reserves or borrowings, thus weakening the Shire's overall financial position. This is highlighted by the fact if it were not for the early payment of the 2017/18 Financial Assistance Grants, the Shire would have a total cash position of only \$689,358 (including capital reserves of \$415,090).

Due to the Shire's low level of total cash (including capital reserves), there is likely to be a reliance on borrowings to fund capital projects in the future, which will have a further negative impact on the ratio.

As Council is already committed to its current level of borrowings, improvement of the operating surplus in the short term and consideration of the effect increased borrowings have on the Shire's ratios over the longer term will assist Council manage the interaction of its ratio position.

- **Operating Surplus Ratio**

The adjusted Operating Surplus Ratio represents the percentage by which the operating surplus (or deficit) differs from the Shire's own source revenue which includes rates.

This ratio is weaker than the previous two years and is below the target level and both the Regional and State 5 year averages. It has also been in negative territory over the last five years.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode the Shire's ability to service debt and maintain both its operational service level and asset base over the longer term. A positive ratio which is consistently above 0.15 provides the Shire with greater flexibility in meeting operational service levels and asset management requirements.

As an adjunct to our comments above regarding the Debt Service Cover Ratio, a continuation of operating deficits would further weaken the financial position of the Shire.

COMMENT ON RATIOS (CONTINUED)

- **Operating Surplus Ratio (Continued)**

Both Council and management will need to consider ways, either via increasing revenue or by decreasing expenditure (or a combination of both), to improve the operating surplus position in order to increase the ratio above the target level of 0.15. This will be dependent upon Council and management's understanding of the Shire's circumstances and the interaction between the operating surplus and the other ratios and operations in general.

- **Own Source Revenue Coverage Ratio**

The Own Source Revenue Coverage Ratio measures the Shire's ability to cover operating expenses from own source revenue. The higher the ratio, the more self-reliant the Shire is.

This ratio has improved in the current year, however, it is below the target level and both the State and Regional 5 year averages.

Whilst in the current funding environment, it is unrealistic to expect rural and remote local governments to operate at the intermediate (above 60%) or advanced (above 90%) standard, being at or below 40% definitely indicates a higher risk. As Council has a limited rate base and revenue raising capability, the higher risk of uncertainty in relation to future revenue should be considered when considering ways to improve the operating position, as discussed above.

Summary

The Shire's ratio position, after adjustment for FAGs, appears slightly better than the prior year. Notwithstanding this, 3 of the 7 ratios are below the target level and 3 other ratios are trending downwards over the longer term. Moving forward, measures/strategies to reverse the downward trends and improve the overall level of the ratios should be considered.

We would like to take this opportunity to stress one off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Wheatbelt region when comparison to other, more similar local governments, may be more relevant.

If you are interested in such an expanded report, please contact us.

STRATEGIC COMMUNITY PLAN AND CORPORATE BUSINESS PLAN

In accordance with Admin Regulation 19C and 19D, the Shire is required to ensure that a Strategic Community Plan is in place for a period of at least 10 years, to be reviewed every 4 years, and that a Corporate Business Plan is in place for a period of at least 4 years, to be reviewed every year.

During our review of the plans adopted by the Shire it was noted:

- The current Strategic Community Plan was adopted in 2013 and was not reviewed in 2017 as required, and
- The current Corporate Business Plan was adopted in 2013 and has not been reviewed annually as required.

To help ensure compliance with the Act and Regulations, the outstanding reviews noted above should be carried out as a matter of urgency.

We noted no other matters we wish to bring to your attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit. Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin
Partner

Moore Stephens

Encl.

a) **CHIEF EXECUTIVE OFFICER'S REPORT RELATING TO THE AUDIT FOR THE YEAR ENDED 30 JUNE 2017**

Independent Audit Report to the Electors of the Shire of Trayning

Auditor's Opinion

The report records an opinion that the financial statements of the Shire of Trayning is in accordance with the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*, including:

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

The opinion makes no qualification.

Auditor's Report on Other Legal and Regulatory Requirements

The report relays:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial management practises of the Shire.

In our opinion, the Shire experienced a significant adverse trend in its financial position as evidenced by:

- i. The Shire's low level of total cash (including capital reserves)
- ii. The current level of the Shire's Debt Service Cover and Own Source Revenue Coverage ratios.
- iii. Negative Operating Surplus ratio for the last five years.
- iv. Cash generated by operating activities being significantly less than cash used for capital projects over the past two years.

CEO comment;

- i. Council has recognised the lack of capital reserves and have commenced improving the reserve balances in the 2017-18 budget.
- ii. Noted.
- iii. Noted.
- iv. Over the past two years Council had two significant capital projects that have now been completed. Other than transport projects Council has no major capital projects planned in the short term.

Auditor's Management Report for the Year Ended 30 June 2017

The Auditor's Management Letter for the year ended 30 June 2016 noted three matters:

1. Significant Adverse Trend in Financial Position.
Ratios – Debt Service Cover Ratio, Own Source Revenue Coverage Ratio, Asset Consumption Ratio & Asset Renewal Funding Ratio – these ratios are currently outside industry benchmark levels

CEO comment – Noted.

DEBT SERVICE COVER RATIO

The Debt Service Cover Ratio has been calculated by dividing the annual operating surplus before interest and depreciation by the total principal and interest paid.

It should be noted that the Department of Local Government and Communities (DLGC) Operational Guideline Number 18 indicates that basic standard should be greater 2.00 with an advance standard being 5.00 or greater. Moore Stephens, Councils Audit firm publication "Short Guide to Financial Ratio's" indicates that a basic standard should be greater than 5.00 with an advanced standard being greater than 10.00.

Moore Stephens recommends the expanded ratio's for smaller Councils such as the Shire of Trayning because the opportunity to influence funding levels through Rate adjustments is limited and smaller Councils predominately rely on external funding sources. With the above in mind, Councils adjusted 2016 Debt Service Cover Ratio of 5.32 is within the basic standard for the Moore Stephens risk factors and well within the advance standard as indicated within the DLGC Guideline 18.

OWN SOURCE REVENUE COVERAGE RATIO

The Own Source Revenue Coverage Ratio has been calculated by dividing the "own source revenue" (excludes all grant revenue) by total operating expenses (including depreciation). As with the Operating Surplus Ratio, the assumed benchmark levels for this ratio are again weighted towards shires that have large rate bases. The majority of this Shire's asset replenishment comes from external grants and funding, which is unlikely to change anytime soon. Therefore, it is highly unlikely that this ratio will provide a favourable "benchmark" result any time in the near future.

ASSET CONSUMPTION RATIO

The Asset Consumption Ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. This Shire needs to renew more of its assets in order to improve this ratio.

ASSET RENEWAL FUNDING RATIO

The Asset Renewal Funding Ratio provides an indication whether the local government has the financial capacity to fund asset renewals as required and can continue to provide existing levels of service without requiring additional income, reduction in expenditure or an increase in borrowings. The trend for this Shire has improved over the past financial period and it is expected that the benchmark will be met in the short term.

2. Year End Audit Readiness and Efficiency

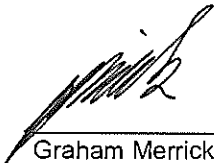
Comment is made that the audit requirements, requested in advance, had not been provided and that other crucial elements were not undertaken in a timely manner. The audit process has been neither timely nor efficient and has resulted in a late audit report and increased costs. The recommendation/request from the auditors is that significant accounting resources be allocated to the fair value accounting process with the goal of meeting the 31 December deadline for having the audited Financial Report completed and sent to the Department.

CEO comment – Noted.

3. Review of the Strategic Community Plan and Corporate Business Plan

The auditors note that the Strategic Community Plan and the Corporate Business Plan were not reviewed in 2017 as required.

CEO comment – The strategic planning and community surveys required as part of the review process have been undertaken. The draft documents are likely to be presented to council for adoption prior to the end of the current financial period.



Graham Merrick
Chief Executive Officer