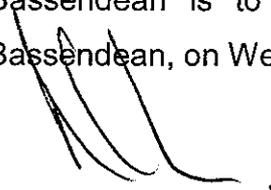


TOWN OF BASSENDEAN
NOTICE OF A MEETING OF THE
AUDIT AND RISK MANAGEMENT COMMITTEE

Dear Committee Member

A meeting of the Audit and Risk Management Committee of the Town of Bassendean is to be held in the Council Chamber, 48 Old Perth Road, Bassendean, on Wednesday, 4 October 2017, commencing at 5.30pm.



Mr Bob Jarvis
CHIEF EXECUTIVE OFFICER

28 September 2017

AGENDA

1.0 **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

Acknowledgement of Traditional Owners

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

2.0 **ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE**

3.0 **DEPUTATIONS**

4.0 CONFIRMATION OF MINUTES

4.1 Minutes of the Meetings held on 9 August 2017

OFFICER RECOMMENDATION – ITEM 4.1

That the minutes of the meeting held on 9 August 2017 be confirmed as a true record.

5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

6.0 DECLARATIONS OF INTEREST

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

8.0 REPORTS

8.1 Audited Annual Financial Statements for the Year Ended 30 June 2017 (Ref: FINM/AUD/7 – Michael Costarella Director Corporate Services)

APPLICATION

The purpose of this report is to receive the Audited Annual Financial Statements for the year ended 30 June 2017.

ATTACHMENTS

Attachment No. 1:

- 2016/17 Audited Annual Financial Statements including the Audit Report.
- Audit Completion Report to the Audit Committee for the year ended 30 June 2017.
- List of the major variances between the 2016/17 Budget and Actual amounts.

BACKGROUND

The 2016/17 Audited Annual Financial Statements have been completed and the Committee is requested to adopt the document.

RELEVANT LAW

Section 6.4 of the Local Government Act states:

6.4 Financial report

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
 - (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

STRATEGIC IMPLICATIONS

Leadership and Governance

- *We will be accountable and make decisions for the good of the community.*
- *Strengthen Council governance and compliance.*

COMMENT

The audit for the 2016/17 financial year has been completed and provides an overview of the financial activities of the Town of Bassendean for the 2016/17 year.

The auditor has requested that the 2016/17 audit completion report and draft audit report be endorsed by the Audit and Risk Management Committee prior to the auditor providing the final version of the audit report.

2016/17 Closing Surplus

The estimated closing budget surplus at 30 June 2017 was anticipated to be \$24,860. Following the conclusion of the financial year and the completion of the Annual Audit, the actual closing surplus for the 2016/17 financial year is \$2,184,378.

A list of the major variances between the 2016/17 Budget and Actual amounts are included as an attachment to the Agenda.

OFFICER RECOMMENDATION – ITEM 8.1

That the Committee recommends to Council that it receives the audited 2016/17 Annual Financial Statements and draft Audit Report and Completion Report, as attached to the Audit and Risk Management Committee Agenda of 4 October 2017.

Voting requirement – Simple majority

8.2 Request for a Rate Exemption – Morley Baptist Church, 33 Hanwell Way, Bassendean (Ref: RAT&VAL/RTPAYMT/2 - Ken Lapham, Manager Corporate Services)

APPLICATION

The purpose of this report is to provide Council with information to assess whether a Rates Exemption from Council rates could be granted under Section 6.26(2) (d) of the Local Government Act.

ATTACHMENTS:

Attachment No. 2:

Correspondence from the Morley Baptist Church received on 6 September 2017.

BACKGROUND

The Baptist Church purchased the property (33 Hanwell Way, Bassendean) in December 2014, Council granting planning approval to change the use to a Place of Worship.

The Church has written to Council seeking a rates exemption on rates levied for the 2017/18 year. The Church advises that the property is used as a place of worship.

A religious body may apply for an exemption from rates if it can demonstrate the land is used exclusively as a place of public worship or in relation to that worship a place of residence of a minister of religion.

STRATEGIC IMPLICATIONS

Good Governance

5.1.3 Strengthen Governance, risk management & compliance.

5.1.4 Improve efficiency & effectiveness of planning & Services.

COMMENT

The Manager Corporate Services and the Senior Rates Officer visited the property in August 2016, to seek clarification of the activities that were currently being undertaken on the property. The Chairman of the Church who met with Council Officers explained that its initial projected use of the property (that being a reception/café) would not be realised and the property would solely be used for a place of worship and associated activities. At this stage, the original concept was would not be progressed.

A drive through inspection in September 2017 has confirmed that the property had not changed since 2016.

Council may decide to provide a full rate exemption, or reject the application, but given the nature of the activities as described by the applicant, that being "primarily as a place of worship" and normal activities of a Baptist Church. Planning approval was given as a place of worship, and as a function centre.

Granting full exemption in accordance with the Local Government Act would be the most suitable resolution, given the fact that the property is being primarily used in accordance with the requirements of Section 6.26 (2) (d).

Section 6.26 (2) (d) states:

“Land used or held exclusively by a religious body as a place of public worship or in relation to that worship, a place of residence of a minister of religion, a convent, nunnery or monastery or occupied exclusively by a religious brotherhood or sisterhood.”

STATUTORY REQUIREMENTS

Section 6.26 (2) (d) of the Local Government Act 1995.

FINANCIAL CONSIDERATIONS

The 2017/18 rates levied total \$10,890.80. FESA levies are still required to be paid.

OFFICER RECOMMENDATION – ITEM 8.2

That the Audit and Risk Management Committee recommends to Council that the Trustee of the Morley Baptist Church Inc. is eligible for a Rate Exemption on 33 Hanwell Way, Bassendean for the 2017/18 financial year in accordance with Section 6.26 (2)(d) of the Local Government Act.

Voting Requirements: Absolute majority

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

11.0 CONFIDENTIAL BUSINESS

12.0 CLOSURE

The next meeting for 2018 is yet to be confirmed.

ATTACHMENT NO. 1



Audited Annual Financial Report

For the year ended the

30 June 2017

TOWN OF BASSENDEAN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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TOWN OF BASSENDEAN
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 Town of Bassendean 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 Town 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

28th

day of

SEPTEMBER 2017



Bob Jarvis
Chief Executive Officer

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

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	12,618,835	12,660,638	12,059,818
Operating grants, subsidies and contributions	30	3,072,446	2,656,055	2,342,814
Fees and charges	29	5,714,467	5,727,153	5,734,184
Service charges	26	-	-	588,273
Interest earnings	2(a)	524,551	448,374	511,192
Other revenue		720,383	398,109	644,681
		<u>22,650,682</u>	<u>21,890,329</u>	<u>21,880,962</u>
Expenses				
Employee costs		(11,670,989)	(10,990,406)	(10,561,126)
Materials and contracts		(6,552,966)	(7,797,045)	(6,201,182)
Utility charges		(692,324)	(717,385)	(669,249)
Depreciation on non-current assets	2(a)	(3,314,436)	(3,467,084)	(3,332,383)
Interest expenses	2(a)	(65,682)	(66,523)	(80,828)
Insurance expenses		(513,844)	(481,735)	(491,273)
Other expenditure		(1,047,411)	(1,258,648)	(997,469)
		<u>(23,857,652)</u>	<u>(24,778,826)</u>	<u>(22,333,510)</u>
Operating Result from Continuing Operations		(1,206,970)	(2,888,497)	(452,548)
Non-operating grants, subsidies and contributions	30	1,086,544	2,143,353	934,689
Loss on asset disposals	21	(9,000)	(186,374)	(36,561)
Impairment of Assets		-	-	(102,316)
Net Share of Interest in Joint Venture - EMRC	17	202,422	-	405,057
Investment In WALGA House	4	(16,888)	-	-
		<u>1,263,078</u>	<u>1,956,979</u>	<u>1,200,869</u>
Net result		<u>56,108</u>	<u>(931,518)</u>	<u>748,319</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	24,562,854	-	73,823
Total other comprehensive income		<u>24,562,854</u>	<u>-</u>	<u>73,823</u>
Total comprehensive income		<u>24,618,962</u>	<u>(931,518)</u>	<u>822,142</u>

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

TOWN OF BASSENDEAN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Governance		52,405	14,400	38,025
General purpose funding		14,153,998	13,835,707	13,088,974
Law, order, public safety		165,281	139,050	154,848
Health		2,511,463	2,476,475	2,396,132
Education and welfare		4,833,557	4,639,537	4,539,856
Community amenities		130,955	231,000	245,311
Recreation and culture		378,153	318,860	386,243
Transport		39,904	52,000	76,753
Economic services		107,424	110,900	750,492
Other property and services		277,542	72,400	204,328
		<u>22,650,682</u>	<u>21,890,329</u>	<u>21,880,962</u>
Expenses				
Governance		(874,524)	(847,378)	(807,254)
General purpose funding		(802,902)	(745,317)	(685,174)
Law, order, public safety		(687,682)	(684,264)	(596,626)
Health		(2,995,821)	(3,223,979)	(2,683,544)
Education and welfare		(5,338,794)	(5,128,678)	(5,080,157)
Community amenities		(1,308,387)	(1,656,625)	(1,072,939)
Recreation and culture		(6,276,217)	(6,748,207)	(5,924,466)
Transport		(4,829,560)	(5,081,620)	(4,770,394)
Economic services		(544,249)	(515,132)	(435,045)
Other property and services		(133,834)	(81,103)	(197,083)
		<u>(23,791,970)</u>	<u>(24,712,303)</u>	<u>(22,252,682)</u>
Finance costs				
General purpose funding		(18,528)	(18,652)	(21,061)
Recreation and culture		(47,154)	(47,871)	(53,595)
Economic services		-	-	(6,172)
		<u>(65,682)</u>	<u>(66,523)</u>	<u>(80,828)</u>
Operating Result from Continuing Operations		(1,206,970)	(2,888,497)	(452,548)
Non-operating grants, subsidies and contributions				
	30	1,086,544	2,143,353	934,689
Loss on disposal of assets	21	(9,000)	(186,374)	(36,561)
Impairment of Assets		-	-	(102,316)
Net Share of Interest in Joint Venture - EMRC		202,422	-	405,057
Investment In WALGA House		(16,888)	-	-
		<u>1,263,078</u>	<u>1,956,979</u>	<u>1,200,869</u>
Net result		56,108	(931,518)	748,319
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	24,562,854	-	73,823
Total other comprehensive income		24,562,854	-	73,823
Total comprehensive income		24,618,962	(931,518)	822,142

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

**TOWN OF BASSENDEAN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017**

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,475,121	9,495,249
Trade and other receivables	5	1,023,022	831,790
Inventories	6	13,333	19,878
TOTAL CURRENT ASSETS		<u>11,511,476</u>	<u>10,346,917</u>
NON-CURRENT ASSETS			
Financial Assets	4	108,332	125,220
Other receivables	5	571,885	591,464
Property, plant and equipment	7	56,216,070	38,147,993
Infrastructure	8	105,885,478	100,551,791
Interests in Joint Venture	17	7,538,343	7,275,989
TOTAL NON-CURRENT ASSETS		<u>170,320,108</u>	<u>146,692,457</u>
TOTAL ASSETS		<u>181,831,584</u>	<u>157,039,374</u>
CURRENT LIABILITIES			
Trade and other payables	9	3,402,910	3,469,370
Current portion of long term borrowings	10	123,994	115,711
Provisions	11	2,110,469	1,762,767
TOTAL CURRENT LIABILITIES		<u>5,637,373</u>	<u>5,347,848</u>
NON-CURRENT LIABILITIES			
Long term borrowings	10	811,380	935,374
Provisions	11	201,834	194,119
TOTAL NON-CURRENT LIABILITIES		<u>1,013,214</u>	<u>1,129,493</u>
TOTAL LIABILITIES		<u>6,650,587</u>	<u>6,477,341</u>
NET ASSETS		<u>175,180,997</u>	<u>150,562,035</u>
EQUITY			
Retained surplus		31,816,487	31,888,675
Reserves - cash backed	12	4,801,315	4,673,019
Revaluation surplus	13	138,563,195	114,000,341
TOTAL EQUITY		<u>175,180,997</u>	<u>150,562,035</u>

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

**TOWN OF BASSENDEAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		33,414,086	4,049,015	112,276,794	149,739,894
Net result		748,319	-	-	748,319
Transfer to Revaluation Surplus		(1,649,724)	-	1,649,724	-
Changes on revaluation of assets	13	<u>-</u>	<u>-</u>	<u>73,823</u>	<u>73,823</u>
Transfers from/(to) reserves		<u>(624,003)</u>	<u>624,003</u>	<u>-</u>	<u>-</u>
Balance as at 30 June 2016		31,888,675	4,673,019	114,000,341	150,562,035
Comprehensive income					
Net result		56,108	-	-	56,108
Changes on revaluation of assets	13	<u>-</u>	<u>-</u>	<u>24,562,854</u>	<u>24,562,854</u>
Transfers from/(to) reserves		<u>(128,296)</u>	<u>128,296</u>	<u>-</u>	<u>-</u>
Balance as at 30 June 2017		<u>31,816,487</u>	<u>4,801,315</u>	<u>138,563,195</u>	<u>175,180,997</u>

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

**TOWN OF BASSENDEAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2016/17 Actual \$	2016/17 Budget \$	2015/2016 \$ Actual
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts:				
Rates		12,649,066	12,710,638	11,945,900
Operating grants, subsidies and contributions		3,072,445	2,480,201	2,769,211
Fees and charges		5,492,673	5,727,153	5,734,184
Service charges		-	-	588,273
Interest earnings		524,551	448,374	511,192
Goods and services tax		971,140	-	1,091,254
Other revenue		720,383	398,109	644,681
		<u>23,430,258</u>	<u>21,764,475</u>	<u>23,284,695</u>
Payments:				
Employee costs		(11,234,999)	(10,990,406)	(10,332,589)
Materials and contracts		(6,552,966)	(7,803,045)	(6,484,894)
Utility charges		(692,324)	(717,385)	(669,249)
Interest expenses		(66,527)	(66,523)	(85,475)
Insurance expenses		(513,844)	(481,735)	(491,273)
Goods and services tax		(1,027,898)	-	(1,048,693)
Other expenditure		(1,047,411)	(1,258,648)	(997,469)
		<u>(21,135,969)</u>	<u>(21,317,742)</u>	<u>(20,109,642)</u>
Net cash provided by (used in) operating activities	14(b)	2,294,289	446,733	3,175,054
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts:				
Non-operating grants, subsidies and contributions		1,086,544	2,143,353	934,689
Proceeds from sale of assets		5,500	678,000	31,236
Payments:				
Payments for purchase of property, plant & equipment		(580,054)	(2,102,880)	(538,900)
Payments for construction of infrastructure		(1,647,718)	(2,758,200)	(2,348,834)
Net cash provided by (used in) investment activities		<u>(1,135,728)</u>	<u>(2,039,727)</u>	<u>(1,921,809)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts:				
Proceeds from self supporting loans		18,509	18,511	17,323
Deferred Income Sports Club		8,000	-	8,000
Transfer from Trust		(89,488)	5,322	194,765
Payments:				
Repayment of debentures		(115,710)	(115,713)	(587,574)
Net cash provided by (used in) financing activities		<u>(178,689)</u>	<u>(91,880)</u>	<u>(367,486)</u>
Net increase (decrease) in cash held		979,872	(1,684,874)	885,758
Cash and cash equivalents at beginning of year		9,495,249	9,055,985	8,609,493
Cash and cash equivalents at the end of the year	14(a)	<u>10,475,121</u>	<u>7,371,111</u>	<u>9,495,249</u>

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

TOWN OF BASSENDEAN
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		1,345,706	1,668,642	1,418,345
		<u>1,345,706</u>	<u>1,668,642</u>	<u>1,418,345</u>
Revenue from operating activities (excluding rates)				
Governance		52,405	14,400	38,025
General purpose funding		1,535,163	1,175,070	1,029,156
Law, order, public safety		200,845	139,050	154,848
Health		2,511,463	2,476,475	2,396,132
Education and welfare		4,909,460	4,639,537	4,574,316
Community amenities		130,955	231,000	245,311
Recreation and culture		472,737	1,643,860	386,243
Transport		920,395	870,353	976,982
Economic services		107,424	110,900	750,492
Other property and services		277,542	72,400	204,328
		<u>11,118,389</u>	<u>11,373,045</u>	<u>10,755,833</u>
Expenditure from operating activities				
Governance		(874,524)	(866,030)	(807,254)
General purpose funding		(821,430)	(745,317)	(706,235)
Law, order, public safety		(687,682)	(684,264)	(596,626)
Health		(2,995,821)	(3,223,979)	(2,683,544)
Education and welfare		(5,338,794)	(5,128,678)	(5,080,157)
Community amenities		(1,308,387)	(1,831,625)	(1,072,939)
Recreation and culture		(6,323,371)	(6,796,078)	(5,978,061)
Transport		(4,829,559)	(5,081,620)	(4,770,394)
Economic services		(544,249)	(515,132)	(441,217)
Other property and services		(142,834)	(92,477)	(335,960)
		<u>(23,866,651)</u>	<u>(24,965,200)</u>	<u>(22,472,387)</u>
Net Result Excluding Rates Including Surplus		(11,402,556)	(11,923,514)	(10,298,209)
Operating activities excluded from budget				
Loss on disposal of assets	21	9,000	186,374	36,561
Impairment of Assets		-	-	102,316
Movement in non-current deferred pensioner rates		(8,200)	-	23,642
Movement in non-current employee benefit provisions		7,715	-	(8,574)
Depreciation and amortisation on assets	2(a)	3,314,436	3,467,084	3,332,383
Movement of Non-Current Debtors		8,000	-	8,000
Employee Benefits Cash Backed Provision		84,917	16,249	140,524
Net Non-Cash Expenditure & Revenue		<u>3,415,868</u>	<u>3,669,707</u>	<u>3,634,852</u>
Capital Expenditure				
Repayment of debentures	22	(115,711)	(115,713)	(587,574)
Purchase of property, plant and equipment	7(b)	(580,054)	(2,102,880)	(538,900)
Purchase and construction of infrastructure	8(b)	(1,647,718)	(2,758,200)	(2,348,834)
Net Capital Expenditure		<u>(2,343,483)</u>	<u>(4,976,793)</u>	<u>(3,475,308)</u>
Capital Revenue				
Proceeds from disposal of assets	21	5,500	678,000	31,236
Proceeds from self supporting loans		18,511	18,511	17,323
Net Capital Revenue		<u>24,011</u>	<u>696,511</u>	<u>48,559</u>
Transfers				
Transfers to reserves (restricted assets)	12	(465,944)	(803,208)	(1,079,385)
Transfers from reserves (restricted assets)	12	337,648	701,519	455,382
Amount attributable to financing activities		<u>(128,296)</u>	<u>(101,689)</u>	<u>(624,003)</u>
Surplus(deficiency) before general rates		<u>(10,434,457)</u>	<u>(12,635,778)</u>	<u>(10,714,109)</u>
Total amount raised from general rates	23	<u>12,618,835</u>	<u>12,660,638</u>	<u>12,059,818</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>2,184,378</u></u>	<u><u>24,860</u></u>	<u><u>1,345,706</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

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

(b) 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.

(c) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

(e) 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.

(f) 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 Town 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 Town 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a), the Town 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 Town 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 Town.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 - Componetised	20 to 75 years
Furniture and equipment	5 to 10 years
Plant and equipment	3 to 15 years
Roads and streets - Componetised	8 to 100 years
Footpaths	30 to 50 years
Parks, Plant & Equipment	3 to 80 years

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

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

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

Capitalisation threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

Fair Value is the price that the Town 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 Town 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 Town 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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 Town 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.

(h) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Town becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Town 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 Town 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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 Town 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.

(i) Impairment of Assets

In accordance with Australian Accounting Standards the Town'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.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Town prior to the end of the financial year that are unpaid and arise when the Town 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

Provision is made for the Town'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 Town'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 Town'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 Town's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Town 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.

(l) 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.

(m) Provisions

Provisions are recognised when the Town 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.

(n) 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 Town, 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Town 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 Town's share of net assets of the associate. In addition, the Town's share of the profit or loss of the associate is included in the Town's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Town'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 Town and the associate are eliminated to the extent of the Town's interest in the associate.

When the Town's share of losses in an associate equals or exceeds its interest in the associate, the Town 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 Town will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) 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(o) 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 Town's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) 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.

(r) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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 Town's operational cycle. In the case of liabilities where the Town 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 Town's intentions to release for sale.

(t) Rounding Off Figures

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

(u) Comparative Figures

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

When the Town 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.

(v) 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.

(w) Intangibles - Easements

Local governments are required to recognise easements in their financial statements where the asset can be identified and reliably measured. The Town has easements over certain small portions of land but it is not possible to reliably measure these. Accordingly they are recognised at nil value.

(x) Bonds and Deposits

The Department of Local Government and Communities expressed the view that a local government has no control over bonds, deposits, etc. it holds and consequently these are to be placed into the Trust Fund. The Town scrutinised the bonds, deposits, etc. it holds and determined that the Town has control over these to legitimately be held in the municipal fund.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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 Town.

Management's assessment of the new and amended pronouncements that are relevant to the Town, 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 Town, 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 Town 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 Town, the impact is not expected to be significant.

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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 Town's operations.</p>

Notes:

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

(y) Adoption of New and Revised Accounting Standards

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

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

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

[AASB 10, 124 & 1049]

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

The Standard has had a significant disclosure impact on the financial report of the Town 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.

TOWN OF BASSENDEAN
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	17,920	15,830
- Other Audit Services	2,300	2,800
-Internal Audit Fees, Support and Training	<u>41,720</u>	<u>-</u>
	<u>61,940</u>	<u>18,630</u>
Depreciation		
Buildings - specialised	973,770	966,753
Furniture and equipment	16,480	42,022
Plant and equipment	69,412	95,568
Infrastructure - Roads	1,245,432	1,249,008
Infrastructure -Footpaths	283,999	278,352
Infrastructure - Drainage	332,499	332,340
Infrastructure - Parks, Plant & Equipment	<u>392,843</u>	<u>368,340</u>
	<u>3,314,436</u>	<u>3,332,383</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	<u>65,682</u>	<u>80,828</u>
	<u>65,682</u>	<u>80,828</u>
	2017	2016
	Actual	Actual
	\$	\$
Interest earnings		
- Reserve funds	118,429	116,944
- Other funds	236,971	243,201
Other interest revenue (refer note 28)	<u>169,151</u>	<u>151,047</u>
	<u>524,551</u>	<u>511,192</u>

TOWN OF BASSENDEAN
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

(b) Statement of Objective

COMMUNITY VISION

"A connected community, developing a vibrant and sustainable future, that is built upon the foundations of our past."

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Food quality and pest control, immunisation services, inspection of public buildings and operation of child health services.

EDUCATION AND WELFARE

Provision, management and support of educational services at the pre-school level and assistance to schools. The provision, management and support of welfare services for families, youth, children and the aged within the community.

COMMUNITY AMENITIES

The provision of sanitation (waste management), stormwater drainage, town and regional

RECREATION AND CULTURE

Provision of facilities, and support of organisations concerned with leisure time activities and sport. This includes the provision of leisure programs, halls and community centres, libraries, historical sites, recreation centres, parks, gardens and sportsgrounds.

TRANSPORT

The construction and maintenance of streets, roads, bridges, footpaths and cycle ways.

ECONOMIC SERVICES

Regulation support and/or provision of such services as tourism, area promotion and building control.

OTHER PROPERTY & SERVICES

Private works, public works overheads, plant operations and other revenues and expenses not elsewhere classified. Also includes costs associated with the Bassendean New Business Centre.

TOWN OF BASSENDEAN
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	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(1) 30/06/17 \$
HACC - Restricted Asset Replacement Funds	129,072	193,812	(15,813)	307,071	6,146	(161,356)	151,861
HACC Non-Recurrent Funding Programme	1,517	34,460	(1,517)	34,460	9,333	(34,460)	9,333
Disability Services Commission - Count Me In	-	-	-	-	-	-	-
Swan River Trust - Foreshore Precinct Plan SRT_3634	1,560	-	-	1,560	-	-	1,560
Aboriginal Workforce Development Centre Expo Naidoc Day	10,000	10,000	(10,000)	10,000	10,000	(10,000)	10,000
Department of Social Services - CACP Program	56,306	-	(29,680)	26,626	-	-	26,626
Department of Social Services -HCP Program	-	30,515	-	30,515	-	(17,495)	13,020
Swan River Trust - Success Hill 13BS01	-	-	-	-	-	-	-
KidsSport	5,000	18,573	(23,573)	-	-	-	-
Bendigo Bank - One World Centre	-	3,500	(1,000)	2,500	3,622	(6,122)	-
Department of Social Services - Long Day Care PDP	43,569	22,193	(19,869)	45,893	-	(37,536)	8,356
Department of Social Services - Broadband for Seniors	1,100	-	-	1,100	-	-	1,100
Department of Local Government - Youth Grant	20,000	-	(15,139)	4,861	-	(4,861)	-
Hawaiian Investments and Suez - Recyclable Bags Program	-	-	-	-	1,200	-	1,200
Department of Parks & Wildlife - Anzac Tce Drainage & Attorney General's Department - CCTV Grant	-	-	-	-	40,300	-	40,300
Reconciliation Action Plan Grant - David Ashton	-	-	-	-	89,682	-	89,682
Department of Premier and Cabinet - Naidoc Day	-	-	-	-	5,000	-	5,000
City of Bayswater - Naidoc Day	-	-	-	-	2,727	-	2,727
Department of Fire & Emergency Services - SES Funding	-	-	-	-	5,000	-	5,000
LGIS - Flood Damage	-	-	-	-	40,810	(20,405)	20,405
	-	-	-	-	101,494	-	101,494
	<u>268,124</u>	<u>313,053</u>	<u>(116,591)</u>	<u>464,586</u>	<u>315,314</u>	<u>(292,235)</u>	<u>487,664</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.

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

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		3,699,827	2,758,762
Restricted		6,775,294	6,736,487
		<u>10,475,121</u>	<u>9,495,249</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Entitlement Reserve	12	1,007,375	922,458
Plant and Equipment Reserve	12	379,102	369,025
Recreation Development Reserve	12	37,139	36,152
Municipal Buildings and Town Planning Reserve	12	1,843,265	1,794,264
Waste Management Reserve	12	288,744	281,068
Wind in the Willows Child Care Reserve	12	53,361	51,943
Aged Person Reserve	12	470,210	525,303
Youth Development Reserve	12	27,529	26,797
Cultural Events Reserve	12	5,163	5,025
Self Insurance Reserve	12	8,199	7,981
Underground Power Reserve	12	79,452	77,341
Drainage Infrastructure Reserve	12	114,111	111,077
HACC Asset Replacement Reserve	12	151,861	307,071
Unspent Grants Reserve	12	335,803	157,514
		<u>4,801,315</u>	<u>4,673,019</u>
Other Restrictions			
Hyde Retirement Village Retention Bonds	9	173,600	224,350
Other Council Controlled Cash - Bonds & Deposits	9	1,800,380	1,839,118
		<u>1,973,979</u>	<u>2,063,468</u>
		<u>6,775,294</u>	<u>6,736,487</u>
4. FINANCIAL ASSETS			
Investment in WALGA Local Government House Trust		<u>108,332</u>	<u>125,220</u>

*** Investment in WALGA Local Government House Trust**

This note discloses the equity the Town has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House.

The total contribution by all Councils towards the cost of the WALGA building was \$582,000. There are 620 units in the Local Government House Unit Trust, 7 of which are held by the Town of Bassendean.

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

	2017	2016
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	754,709	530,936
Sundry debtors	123,652	185,915
GST receivable	112,759	85,880
Accrued Interest	4,446	2,871
Self Supporting Loan Debtors	19,779	18,511
Long Service Leave Due from Other Councils	52,633	52,633
Other Deferred Debtors - Clubs Contributions	8,000	8,000
Provision for Doubful Debts	(52,956)	(52,956)
	<u>1,023,022</u>	<u>831,790</u>
Non-current		
Rates outstanding - pensioners	323,008	314,808
Loans receivable - clubs/institutions	248,877	268,656
Other Deferred Debtors - Clubs Contributions	-	8,000
	<u>571,885</u>	<u>591,464</u>
6. INVENTORIES		
Current		
Fuel and Materials	13,333	19,878
	<u>13,333</u>	<u>19,878</u>

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

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2017 - level 2	<u>36,357,000</u>	<u>21,878,884</u>
Buildings - specialised at:		
- Independent valuation 2017 - level 3	25,757,805	-
- Independent valuation 2013 - level 3	-	37,106,900
- Additions after valuation - cost	-	984,958
Buildings - specialised - Less: accumulated depreciation	<u>(7,301,045)</u>	<u>(23,108,596)</u>
	<u>18,456,760</u>	<u>14,983,261</u>
 Total Land and Buildings	 <u>54,813,760</u>	 <u>36,862,145</u>
 Furniture and equipment at:		
Furniture & Equipment		
- Management valuation 2016 - level 3	165,239	165,239
- Additions after valuation - cost	104,115	-
Furniture and equipment - Less: accumulated depreciation	<u>(95,764)</u>	<u>(79,284)</u>
	173,590	85,955
 Plant and equipment at:		
- Independent valuation 2013 - level 2	1,877,295	1,898,330
- Independent valuation 2013 - level 3	714,601	714,601
- Additions after valuation - cost	112,740	-
Plant and equipment - Less: accumulated depreciation	<u>(1,538,536)</u>	<u>(1,475,658)</u>
	1,166,100	1,137,273
 Art Works at:		
- Independent Valuation 2015 - level 2	<u>62,620</u>	<u>62,620</u>
	62,620	62,620
	<u>56,216,070</u>	<u>38,147,993</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 at 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.

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Land - freehold land	21,878,884	50,656	-	14,427,461	-	36,357,000
Total land	21,878,884	50,656	-	14,427,461	-	36,357,000
Buildings - specialised	14,983,261	312,544	-	4,134,725	(973,770)	18,456,760
Total buildings	14,983,261	312,544	-	4,134,725	(973,770)	18,456,760
Total land and buildings	36,862,145	363,199	-	18,562,185	(973,770)	54,813,760
Furniture and equipment	85,955	104,115	-	-	(16,480)	173,590
Plant and equipment	1,137,273	112,740	(14,500)	-	(69,413)	1,166,100
Art Works	62,620	-	-	-	-	62,620
Total property, plant and equipment	38,147,993	580,054	(14,500)	18,562,185	(1,059,663)	56,216,070

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

	2017	2016
	\$	\$
8 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Independent Valuation 2013 - level 3	-	78,932,337
- Independent Valuation 2017 - level 3	83,500,078	-
- Additions after valuation - cost	-	2,468,433
Infrastructure - Roads - Less: accumulated depreciation	<u>(15,181,450)</u>	<u>(9,062,215)</u>
	68,318,627	72,338,555
Infrastructure -Footpaths		
- Independent Valuation 2013 - level 3	-	7,901,488
- Independent Valuation 2017 - level 3	10,233,801	-
- Additions after valuation - cost	-	525,791
Accumulated Depreciation Footpaths	<u>(3,002,330)</u>	<u>(2,782,978)</u>
	7,231,471	5,644,301
Infrastructure - Drainage		
- Independent Valuation 2013 - level 3	-	22,060,547
- Independent Valuation 2017 - level 3	39,635,969	-
- Additions after valuation - cost	-	254,845
Accumulated Depreciation Other Infrastructure	<u>(16,891,455)</u>	<u>(7,342,401)</u>
	22,744,514	14,972,991
Infrastructure - Parks, Plant & Equipment		
Parks & Ovals (Management Valuation xxxx)		
- Management valuation 2016 - level 3	13,667,875	13,667,875
- Additions after valuation - cost	947,600	559,835
Accumulated Depreciation Parks &Ovals	<u>(7,024,609)</u>	<u>(6,631,766)</u>
	7,590,866	7,595,944
	<u>105,885,478</u>	<u>100,551,791</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 at 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.

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Depreciation (Expense)	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	72,338,555	951,492	-	(3,725,989)	(1,245,432)	68,318,627
Infrastructure -Footpaths	5,644,301	225,017	-	1,646,152	(283,999)	7,231,471
Infrastructure - Drainage	14,972,991	83,443	-	8,020,579	(332,499)	22,744,514
Infrastructure - Parks, Plant & Equipment	7,595,944	387,765	-	-	(392,843)	7,590,866
Total infrastructure	<u>100,551,791</u>	<u>1,647,718</u>	<u>-</u>	<u>5,940,742</u>	<u>(2,254,774)</u>	<u>105,885,478</u>

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

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	1,050,259	1,067,199
Accrued interest on debentures	5,703	6,548
Accrued Salaries & Wages	122,668	71,974
Rates In Advance	250,300	218,413
Income in Advance	-	41,768
Bonds & Other Deposits	1,800,380	1,839,118
Hyde Retirement Village Bonds	173,600	224,350
	<u>3,402,910</u>	<u>3,469,370</u>

10. LONG-TERM BORROWINGS

Current		
Loan Liability - (Current)	<u>123,994</u>	<u>115,711</u>
	<u>123,994</u>	<u>115,711</u>
Non-current		
Loan Liability - (Non Current)	<u>811,380</u>	<u>935,374</u>
	<u>811,380</u>	<u>935,374</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

Current		
Annual Leave	942,087	760,719
Long Service Leave	<u>1,168,382</u>	<u>1,002,048</u>
	<u>2,110,469</u>	<u>1,762,767</u>
Non-current		
Long Service Leave	<u>201,834</u>	<u>194,119</u>
	<u>201,834</u>	<u>194,119</u>

	Provision for Annual Leave	Provision for Long Service Leave	Total
Opening Balance as at 1 July 2016			
Current provisions	760,719	1,002,048	1,762,767
Non-current provisions	-	194,119	194,119
Additional provision	831,481	248,110	1,079,590
Amounts used	(650,113)	(108,870)	(758,982)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	-	34,809	34,809
Balance at 30 June 2017	<u>942,087</u>	<u>1,370,216</u>	<u>2,312,303</u>

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

	2016/17 Actual	2016/17 Budget	2015/16 Actual
	\$	\$	\$
12. RESERVES - CASH BACKED			
Cash Backed Reserves			
(a) Plant & Equipment Reserve			
Opening Balance	369,025	366,820	358,439
Amount Set Aside / Transfer to Reserve	10,078	8,500	10,586
	<u>379,103</u>	<u>375,320</u>	<u>369,025</u>
(b) Recreation Development Reserve			
Opening Balance	36,152	34,202	277,944
Amount Set Aside / Transfer to Reserve	987	800	8,208
Amount Used / Transfer from Reserve	-	-	(250,000)
	<u>37,139</u>	<u>35,002</u>	<u>36,152</u>
(c) Waste Management Reserve			
Opening Balance	281,068	280,643	56,402
Amount Set Aside / Transfer to Reserve	7,676	1,241	224,666
	<u>288,744</u>	<u>281,884</u>	<u>281,068</u>
(d) Wind in the Willows Reserve			
Opening Balance	51,943	51,970	10,381
Amount Set Aside / Transfer to Reserve	1,419	228	41,562
	<u>53,362</u>	<u>52,198</u>	<u>51,943</u>
(e) Aged Persons Housing Reserve			
Opening Balance	525,303	528,227	520,870
Amount Set Aside / Transfer to Reserve	14,346	12,497	15,383
Amount Used / Transfer from Reserve	(69,440)	(70,000)	(10,950)
	<u>470,209</u>	<u>470,724</u>	<u>525,303</u>
(f) Youth Development Reserve			
Opening Balance	26,797	26,867	26,028
Amount Set Aside / Transfer to Reserve	732	573	769
	<u>27,529</u>	<u>27,440</u>	<u>26,797</u>
(g) Cultural Events Reserve			
Opening Balance	5,025	5,039	4,881
Amount Set Aside / Transfer to Reserve	137	107	144
	<u>5,162</u>	<u>5,146</u>	<u>5,025</u>
(h) Self Insurance Reserve			
Opening Balance	7,981	8,002	7,752
Amount Set Aside / Transfer to Reserve	218	171	229
	<u>8,199</u>	<u>8,173</u>	<u>7,981</u>
(i) Underground Power Reserve			
Opening Balance	77,341	77,543	75,122
Amount Set Aside / Transfer to Reserve	2,112	1,653	2,219
	<u>79,453</u>	<u>79,196</u>	<u>77,341</u>
(j) Muni Buildings and Town Planning			
Opening Balance	1,794,264	1,795,832	1,553,247
Amount Set Aside / Transfer to Reserve	49,001	696,353	345,839
Amount Used / Transfer from Reserve	-	(550,000)	(104,822)
	<u>1,843,265</u>	<u>1,942,185</u>	<u>1,794,264</u>
(k) Drainage Infrastructure			
Opening Balance	111,077	110,265	107,891
Amount Set Aside / Transfer to Reserve	3,034	2,124	3,186
	<u>114,111</u>	<u>112,389</u>	<u>111,077</u>
(l) Leave Entitlement Reserve			
Opening Balance	922,458	918,258	781,934
Amount Set Aside / Transfer to Reserve	84,917	16,249	140,524
	<u>1,007,375</u>	<u>934,507</u>	<u>922,458</u>
(m) HACC Asset Replacement Reserve			
Opening Balance	307,070	304,552	129,071
Amount Set Aside / Transfer to Reserve	6,146	12,712	193,812
Amount Used / Transfer from Reserve	(161,356)	(14,519)	(15,813)
	<u>151,860</u>	<u>302,745</u>	<u>307,070</u>

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

12. RESERVES - CASH BACKED continued

(n) Unspent Grants & Contributions	157,514	123,797	139,052
Opening Balance	285,141	50,000	92,260
Amount Set Aside / Transfer to Reserve	<u>(106,852)</u>	<u>(67,000)</u>	<u>(73,798)</u>
Amount Used / Transfer from Reserve	<u>335,803</u>	<u>106,797</u>	<u>157,514</u>
	<u>4,801,315</u>	<u>4,733,705</u>	<u>4,673,019</u>

Transfers to Reserves

Plant Reserve	10,078	8,500	10,586
Recreation Development Reserve	987	800	8,208
Waste Management Reserve	7,676	1,241	224,666
Wind in the Willows Reserve	1,419	228	41,562
Aged Persons Housing Reserve	14,345	12,497	15,383
Youth Development Reserve	732	573	769
Cultural Events Reserve	137	107	144
Self Insurance Reserve	218	171	229
Underground Power Reserve	2,112	1,653	2,219
Municipal Building & TP Reserve	49,001	696,353	345,839
Drainage Infrastructure	3,034	2,124	3,186
Leave Entitlement Reserve	84,917	16,249	140,524
HACC Asset Replacement Reserve	6,146	12,712	193,812
Unspent Grants & Contributions	285,141	50,000	92,260
	<u>465,944</u>	<u>803,208</u>	<u>1,079,385</u>

Transfers from Reserves

Recreation Development Reserve	-	-	(250,000)
Aged Persons Housing Reserve	(69,440)	(70,000)	(10,950)
Municipal Building & TP Reserve	-	(550,000)	(104,822)
HACC Asset Replacement Reserve	(161,356)	(14,519)	(15,813)
Unspent Grants & Contributions	<u>(106,852)</u>	<u>(67,000)</u>	<u>(73,798)</u>
	<u>(337,648)</u>	<u>(701,519)</u>	<u>(455,382)</u>

Total Transfer to/(from) Reserves

	<u>128,296</u>	<u>4,733,705</u>	<u>624,003</u>
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TOWN OF BASSENDEAN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2016/17 Actual	2015/16 Actual
	\$	\$
13. REVALUATION SURPLUS		
Asset revaluation reserves have arisen on revaluation of the following classes of assets:		
(a). Land		
Opening Balance	26,824,728	26,824,728
Revaluation Increment	14,427,461	-
	<u>41,252,189</u>	<u>26,824,728</u>
(b). Buildings		
Opening Balance	8,502,795	8,502,795
Revaluation Increment	4,134,725	-
	<u>12,637,520</u>	<u>8,502,795</u>
(c). Plant & Equipment		
Opening Balance	732,285	826,631
Revaluation Decrement	-	(94,346)
	<u>732,285</u>	<u>732,285</u>
(d). Artworks		
Opening Balance	56,792	56,792
	<u>56,792</u>	<u>56,792</u>
(e). Roads		
Opening Balance	61,722,629	61,722,629
Revaluation Decrement	(3,725,989)	-
	<u>57,996,640</u>	<u>61,722,629</u>
(f). Footpaths		
Opening Balance	3,052,220	3,052,220
Revaluation Increment	1,646,152	-
	<u>4,698,372</u>	<u>3,052,220</u>
(g). Drainage		
Opening Balance	9,741,539	9,741,539
Revaluation Increment	8,020,579	-
	<u>17,762,118</u>	<u>9,741,539</u>
(h). Parks, Plant & Equipment		
Opening Balance	1,549,460	1,549,460
	<u>1,549,460</u>	<u>1,549,460</u>
(i). EMRC		
Opening Balance	1,817,893	-
Transfer from Retained Earnings	-	1,649,724
Revaluation Increment	59,927	168,169
	<u>1,877,820</u>	<u>1,817,893</u>
Total Revaluation Surplus	<u>138,563,195</u>	<u>114,000,341</u>
Summary of Revaluation Surplus		
Opening Balance 1 July 2016	114,000,341	
Revaluation Increments	28,288,843	
Revaluation Decrements	(3,725,989)	
Closing Balance 30 June 2017	<u>138,563,195</u>	

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>10,475,121</u>	<u>7,371,111</u>	<u>9,495,249</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	56,108	(931,518)	748,319
Non-cash flows in Net result:			
Depreciation	3,314,436	3,467,084	3,332,383
(Profit)/Loss on sale of asset	9,000	186,374	36,561
Impairment of Assets	-	-	102,316
(Increase)/Decrease in receivables	(198,106)	(125,854)	355,040
(Increase)/Decrease in inventories	6,545	(6,000)	1,007
Increase in Investment in Joint Venture	(202,422)		(405,057)
Decrease in Investment in WALGA House Trust	16,888		
Increase/(Decrease) in employee leave entitlements	(26,879)	-	(217,392)
Increase/(Decrease) in employee provisions	405,266	-	156,563
Grants contributions for the development of assets	<u>(1,086,544)</u>	<u>(2,143,353)</u>	<u>(934,689)</u>
Net cash from operating activities	<u>2,294,289</u>	<u>446,733</u>	<u>3,175,054</u>
(c) Undrawn Borrowing Facilities			
	2017		2016
	\$		\$
Credit Standby Arrangements			
Bank overdraft limit	100,000		100,000
Credit card limit	150,000		150,000
Credit card balance at balance date	<u>(23,965)</u>		<u>(20,391)</u>
Total amount of credit unused	<u>226,035</u>		<u>229,609</u>
Loan facilities			
Loan facilities - current	123,994		115,711
Loan facilities - non-current	<u>811,380</u>		<u>935,374</u>
Total facilities in use at balance date	<u>935,374</u>		<u>1,051,085</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Town is not aware of any reportable contingent liability.

	2017	2016
	\$	\$
16. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	238,187	206,125
- later than one year but not later than five years	214,660	173,752
- later than five years	<u>452,847</u>	<u>379,877</u>
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	<u>-</u>	<u>39,995</u>
Payable:		
- not later than one year	<u>-</u>	<u>39,995</u>

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

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

17. JOINT VENTURE ARRANGEMENTS

Eastern Metropolitan Regional Council

The Council is a member of the Eastern Metropolitan Regional Council. EMRC was established in accordance with the Local Government Act 1995 and consists of six local governments, namely, Town of Bassendean, City of Bayswater, City of Belmont, Shire of Kalamunda, Shire of Mundaring, and City of Swan. The Town's interest in the joint venture calculated by EMRC as at 30 June 2017 is 4.31%, representing its share of the net assets of \$7,538,338. Bassendean's interest in the assets and liabilities of EMRC is as follows:

Net Carrying Amount

Name of Entity	Activity	2017 \$	2016 \$
Eastern Metropolitan Regional Council	Waste Management	7,538,343	7,275,989
Movements in Carrying Amounts		2017	2016
		\$	\$
Opening Balance		7,275,989	6,702,763
Increase in Interests in Joint Venture *		262,354	573,226
Council's Equity Share in the Joint Venture Entity		<u>7,538,343</u>	<u>7,275,989</u>

* Share of Profit(Loss)	202,422
*Share of Other Comprehensive Income	59,932
	<u>262,354</u>

Share in Joint Venture Assets and Liabilities

	2017	2016
Assets	\$	\$
Current	4,076,287	4,027,935
Non Current	4,021,102	3,905,718
Liabilities		
Current	227,780	328,183
Non Current	331,266	329,480
Net Assets	<u>7,538,343</u>	<u>7,275,989</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	2,091,002	1,889,858
Law, order, public safety	144,104	34,000
Health	110,466	38,202
Education and welfare	2,739,204	1,507,727
Community amenities	33,075,920	22,022,483
Recreation and culture	19,374,422	17,211,580
Transport	98,569,930	93,970,993
Economic services	920,000	300,000
Other property and services	1,408,500	153,942
Unallocated	23,398,036	19,910,590
	<u>181,831,584</u>	<u>157,039,374</u>

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

19. Financial Ratios

	Target	2017	2016	2015
Liquidity Ratio				
1. Current Ratio ⁽¹⁾				
<u>Current Assets less Restricted Current Assets</u> Current Liabilities less Liabilities Associated with Restricted Assets	>1.00	1.78	1.53	1.28
Debt Ratio				
2. Debt Service Cover Ratio ⁽²⁾				
<u>Operating Surplus before Interest and Depreciation Exp</u> Principal and Interest Repayments	>2.00	12.95	4.83	5.10
Coverage Ratio				
3. Own Source Revenue Coverage Ratio ⁽³⁾				
<u>Own Source Operating Revenue</u> Operating Expense	>0.40	0.82	0.87	0.83
Financial Performance Ratio				
4. Operating Surplus Ratio ⁽⁴⁾				
<u>Operating Revenue less Operating Expense</u> Own Source Operating Revenue	>0.01	(0.05)	(0.01)	0.01
Asset Management Ratios				
5. Asset Sustainability Ratio ⁽⁵⁾				
<u>Capital Renewal and Replacement Expenditure</u> Depreciation Expense	>0.90	0.41	0.65	0.83
The following information relates to the below ratios which only require attestation that they have been checked and are supported by verifiable information.				
6. Asset Consumption Ratio ⁽⁶⁾				
<u>Depreciated Replacement Cost of Depreciable Assets</u> Current Replacement Cost of Depreciable Assets	>0.50	0.72	0.58	0.59
7. Asset Renewal Funding Ratio ⁽⁷⁾				
<u>NPV of Planned Capital Renewals over 10 years</u> NPV of Required Capital Expenditure over 10 years	>0.75	1.00	0.99	0.98

Notes

⁽¹⁾ This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

⁽²⁾ This ratio is the measurement of Council's ability to repay its debt including lease payments.

⁽³⁾ This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

⁽⁴⁾ This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

⁽⁵⁾ This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their

⁽⁶⁾ This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock

⁽⁷⁾ This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.

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

20. TRUST FUNDS

Funds held at balance date over which the Town 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
	\$	\$	(\$)	\$
Public Open Space Contributions	847,887	22,746	-	870,633
BRB Funds	9,549	60,603	(64,931)	5,221
BCITF	2,080	61,108	(62,488)	700
	<u>859,516</u>	<u>144,457</u>	<u>(127,419)</u>	<u>876,554</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Loss
	\$	\$	\$	\$	\$	\$
Other property and services	14,500	5,500	(9,000)	14,374	3,000	(11,374)
Community Amenities	-	-	-	850,000	675,000	(175,000)
	<u>14,500</u>	<u>5,500</u>	<u>(9,000)</u>	<u>864,374</u>	<u>678,000</u>	<u>(186,374)</u>

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

22. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Movement in debentures and interest between the beginning and the end of the current financial year.

Particulars	Principal 01/07/2016	New Loans	Principal Repayments		Principal Outstanding		Interest Repayments	
			2016/17 Budget	2016/17 actual	2016/17 Budget	2016/17 actual	2016/17 Budget	2016/17 actual
			\$	\$	\$	\$	\$	\$
Governance								
Loan 157 Ashfield Soccer Club-SSL	23,193	-	4,035	4,035	19,158	19,158	1,454	1,453
Loan 162- TADWA SSL	263,973	-	14,476	14,476	249,497	249,497	17,198	17,075
	287,166	-	18,511	18,511	268,656	268,656	18,652	18,528
Recreation and culture								
Loan 156 Civic Centre Redevelopment	169,738	-	40,414	40,414	129,324	129,324	12,340	11,798
Loan 160A Civic Centre Redevelopment	426,622	-	42,239	42,237	384,383	384,385	25,930	25,912
Loan 160B Civic Centre Redevelopment	167,558	-	14,550	14,550	153,009	153,009	9,600	9,444
	763,918	-	97,202	97,200	666,716	666,718	47,871	47,154
	1,051,084	-	115,713	115,711	935,372	935,374	66,523	65,682

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

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General rate											
Gross rental value valuations											
GRV Properties	6.5510	5,436	164,778,512	10,794,641	116,424	1,772	10,912,837	10,794,640	150,000	10,000	10,954,640
Sub-Total		5,436	164,778,512	10,794,641	116,424	1,772	10,912,837	10,794,640	150,000	10,000	10,954,641
Minimum payment	\$										
Gross rental value valuations											
GRV Properties	1.057	1,614	22,977,915	1,705,998			1,705,998	1,705,998	-	-	1,705,998
Sub-Total		1,614	22,977,915	1,705,998	-	-	1,705,998	1,705,998	-	-	1,705,998
		7,050	187,756,427	12,500,639	116,424	1,772	12,618,835	12,500,638	150,000	10,000	12,660,638
Total amount raised from general rate							12,618,835				12,660,638
Totals							12,618,835				12,660,638

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

24. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	2,184,378	1,345,706
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	3,699,827	2,758,762
Restricted	6,775,294	6,736,487
Rates outstanding	754,709	530,936
Sundry debtors	135,775	196,463
GST receivable	112,759	85,880
Inventories	13,333	19,878
	<u>11,491,697</u>	<u>10,328,406</u>
LESS: CURRENT LIABILITIES		
Trade and other payables		
Sundry creditors	(1,050,259)	(1,067,201)
Accrued interest on debentures	(5,703)	(6,548)
Accrued Salaries & Wages	(122,668)	(71,974)
Income in Advance	-	(41,768)
Rates in Advance	(250,300)	(218,413)
Hyde Retirement Village Bonds	(173,600)	(224,350)
Current Employee Provisions	(2,110,469)	(1,762,767)
Bonds & Other Deposits	(1,800,380)	(1,839,118)
	<u>(5,513,379)</u>	<u>(5,232,139)</u>
Net Current Assets	5,978,318	5,096,267
Less:		
Reserves - restricted cash	(4,801,315)	(4,673,019)
Add Back:		
Cash Backed Employee Provisions	1,007,375	922,458
Adjusted net current assets - surplus/(deficit)	2,184,378	1,345,706

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.

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

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

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

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

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

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

Rates Discounts	Rate or Discount Granted	Discount %	Actual \$	Budget \$
General Rates	Incentive		5,000	5000
General Rates	Concession	50%	6,275	7,500
			<u>11,275</u>	<u>12,500</u>

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

	2017 Revenue \$	Budgeted Revenue \$	2016 Revenue \$
Interest on unpaid rates	169,151	135,000	151,047
Charges on instalment plan	64,788	72,000	70,764
	<u>233,939</u>	<u>207,000</u>	<u>221,811</u>

Rate Payers had the option of paying rates in four equal instalments, due on 26th August 2016, 26th October 2016 , 4th January 2017 and 7th March 2017. Administration charges and interest applied for the three final instalments.

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

29. FEES AND CHARGES	2017	2016
	\$	\$
General purpose funding	118,894	130,446
Law, order, public safety	71,745	90,408
Health	2,509,397	2,395,995
Education and welfare	2,423,435	2,416,565
Community amenities	130,248	230,336
Recreation and culture	244,852	250,636
Transport	5,928	6,231
Economic services	86,879	156,673
Other property and services	123,089	56,894
	<u>5,714,467</u>	<u>5,734,184</u>

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions	3,072,446	2,342,814
Non-operating grants, subsidies and contributions	1,086,544	934,689
	<u>4,158,990</u>	<u>3,277,503</u>

By Program:

Operating grants, subsidies and contributions

General purpose funding	824,141	260,960
Law, order, public safety	64,912	50,420
Education and welfare	2,131,671	1,943,381
Community amenities	-	5,348
Recreation and culture	51,722	43,405
Transport	-	39,300
	<u>3,072,446</u>	<u>2,342,814</u>

NON OPERATING GRANTS

Non-operating grants, subsidies and contributions

Law, order, public safety	35,564	-
Education and welfare	75,905	34,460
Recreation and culture	94,584	-
Transport	880,491	900,229
	<u>1,086,544</u>	<u>934,689</u>
	<u>4,158,990</u>	<u>3,277,503</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

140	132
-----	-----

32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	105,000	105,000	99,000
Mayor's allowance	36,000	36,000	35,000
Deputy Mayor's allowance	9,000	9,000	11,250
Conference & Other Expenses	4,503	12,000	4,785
Communications Allowance	21,000	21,000	21,000
	<u>175,503</u>	<u>183,000</u>	<u>171,035</u>

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

33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017
	\$
The total of remuneration paid to KMP of the Town during the year are as follows:	
Short-term employee benefits	945,416
Post-employment benefits	105,446
Other long-term benefits	21,179
Termination benefits	-
	1,072,041

Short-term employee benefits

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

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Town'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 Town'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 Town*
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*

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	-
Purchase of goods and services	-
Joint venture entities:	
Distributions received from joint venture entities	-
Amounts outstanding from related parties:	
Trade and other receivables	-
Loans to associated entities	-
Loans to key management personnel	-
Amounts payable to related parties:	
Trade and other payables	-
Loans from associated entities	-

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.

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

34. MAJOR LAND TRANSACTIONS

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

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

36. FINANCIAL RISK MANAGEMENT

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

The Town 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 Town held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	10,475,121	9,495,249	10,475,121	9,495,249
Investments	108,332	125,220	108,332	125,220
Receivables	1,594,907	1,423,254	1,594,907	1,423,254
	<u>12,178,360</u>	<u>11,043,723</u>	<u>12,178,360</u>	<u>11,043,723</u>
Financial liabilities				
Payables	3,402,910	3,469,370	3,402,910	3,469,370
Borrowings	935,374	1,051,085	831,214	951,095
	<u>4,338,284</u>	<u>4,520,455</u>	<u>4,234,124</u>	<u>4,420,465</u>

Fair value is determined as follows:

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

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

The Town 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	104,751	94,952
- Statement of Comprehensive Income	104,751	94,952

Notes:

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

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

36. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

The Town'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 Town 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 Town to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The Town 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 Town 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 Town's credit risk at balance date was:

	2017	2016
Percentage of rates and annual charges		
- Current	70.03%	60.02%
- Overdue	29.97%	39.98%
Percentage of other receivables		
- Current	41.21%	48.26%
- Overdue	58.79%	51.74%

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Town 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 Town’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	3,402,910	-	-	3,402,910	3,402,910
Borrowings	182,326	729,952	283,156	1,195,434	935,374
	<u>3,585,236</u>	<u>729,952</u>	<u>283,156</u>	<u>4,598,344</u>	<u>4,338,284</u>
<u>2016</u>					
Payables	3,469,370	-	-	3,469,370	3,469,370
Borrowings	182,283	787,978	407,456	1,377,717	1,051,085
	<u>3,651,653</u>	<u>787,978</u>	<u>407,456</u>	<u>4,847,087</u>	<u>4,520,455</u>

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

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Town 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:

The following interest rates were applicable to the Council's Borrowings at balance date:

	<u>30 June 2017</u>		<u>30 June 2016</u>	
	Weighted Average Effective Interest Rate %	Total \$	Weighted Average Effective Interest Rate %	Total \$
Borrowings - Fixed	5.92%	935,374	5.94%	1,051,083

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Note 37. Fair Value

The Town of Bassendean measures the following assets at fair value on a recurring basis after initial recognition:

- Land and Buildings
- Plant
- Equipment
- Furniture and Fittings
- Artworks
- Roads
- Footpaths
- Drainage
- Parks, Plant and Equipment

The following table provides the fair values of the Town of Bassendean's assets measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy:

Recurring Fair Value Measurements

Non-Financial Assets - 30 June 2017	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	7(b)	-	36,357,000	-	36,357,000
Buildings	7(b)	-	-	18,456,760	18,456,760
Furniture & Equipment	7(b)	-	-	173,590	173,590
Plant & Equipment	7(b)	-	798,424	367,676	1,166,100
Artworks	7(b)	-	62,620	-	62,620
Roads	8(b)	-	-	68,318,627	68,318,627
Footpaths	8(b)	-	-	7,231,471	7,231,471
Drainage	8(b)	-	-	22,744,514	22,744,514
Parks, Plant and Equipment	8(b)	-	-	7,590,866	7,590,866

Non-Financial Assets - 30 June 2016	Note	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Land	7(b)	-	21,878,884	-	21,878,884
Buildings	7(b)	-	-	14,983,261	14,983,261
Furniture & Equipment	7(b)	-	-	85,955	85,955
Plant & Equipment	7(b)	-	821,100	316,173	1,137,273
Artworks	7(b)	-	62,620	-	62,620
Roads	8(b)	-	-	72,338,555	72,338,555
Footpaths	8(b)	-	-	5,644,301	5,644,301
Drainage	8(b)	-	-	14,972,991	14,972,991
Parks, Plant and Equipment	8(b)	-	-	7,595,944	7,595,944

Fair values were recorded as at 30 June 2017 for the various asset classes.

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Note 37 Fair Value continued

37 (a). Transfers Policy

The policy of the Town of Bassendean is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 for recurring fair value measurements during the year.

37 (b). Highest and Best Use

All assets have been valued at their highest and best use, that being their current use.

37 (c). Valuation Techniques and Inputs Used to Derive Fair Value

The following table summarises the valuation inputs and techniques used to determine the fair value for each asset class.

Asset	Level of Valuation Input	Fair Value at 30 June 2017 (\$)	Valuation Technique(s)	Inputs Used
Land	2	36,357,000	Cost/Market Approach	Price per square meter
Buildings	3	18,456,760	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount.
Furniture & Equipment	3	173,590	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Plant & Equipment	2	798,424	Market Approach	Make, size, year of manufacture and condition
Plant & Equipment	3	367,676	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Artworks	2	62,620	Market Approach	Comparison to recent sales of Art work with similar characteristics.
Total		56,216,070		
Roads	3	68,318,627	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Asset	Level of Valuation Input	Fair Value at 30 June 2017 (\$)	Valuation Technique(s)	Inputs Used
Footpaths	3	7,231,471	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Drainage	3	22,744,514	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Parks, Plant and Equipment	3	7,590,866	Cost Approach	Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount
Total		105,885,478		

Recurring Fair Value Measurements

The following methods are used to determine the fair value measurements.

Land

The Town's land was revalued at 30 June 2017 by independent valuers, APV Valuers. In relation to land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of Level 3 inputs into the overall fair value measurement, these specialised buildings assets are deemed to have been valued using Level 3 inputs. The most significant inputs into this valuation approach are price per square metre,

Land values have been determined based on relevant sales of land in the locality. Research of the various submarkets within the council area has been undertaken through the analysis of sales evidence and discussions with real estate agents.

It should be noted that there was often a lack of appropriate comparable sales evidence for properties of certain specific comparable land use and/or zoning. In such cases, regard was given to the closest comparable sales and the subject properties' general geographic/land use/zoning in relation to those sales.

The valuations are also based upon land zoning and land use information provided by Council as well as the information obtained from third party property and mapping databases such as Property Data Solutions (PDS) and Government websites.

These 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.

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Note 37 Fair Value continued

In accordance with Local Government (Financial Management) Regulation 16(a), the Council is 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.

Bassendean Oval is a sporting facility that is Crown Land operated by the local government. Council has determined it is not of state or regional significance, hence it has not been included as an asset by the Town.

Buildings

Buildings fair values were determined by independent valuer, APV Valuers, effective date 30 June 2017.

Level 3 valuation inputs were used to determine the fair value of a range of properties. The valuation methodology for buildings has been determined having regard to the existence of a market, the level of specialisation of the asset and the availability of sales evidence. Each asset is considered together with the land component and other improvements at the location.

With regards to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of Level 3 inputs into the overall fair value measurement, these specialised buildings assets are deemed to have been valued using Level 3 inputs.

For many of the assets the value has been determined using the Depreciated Replacement Cost method of valuation. As a benchmark with respect to costs of building structures, our valuations have been prepared on an abbreviated bill of quantity methodology. We have relied upon costing references contained within Rawlinsons Australia Construction Handbook 2013 encompassing Civil Works and Building costs. APV Valuers also has a database built up from research of building and site improvement costs. Actual costs of improvements identified during valuation exercises and also through research and contact with suppliers and builders have been collated.

An assessment of the economic life and remaining economic life of the various assets has been derived by the Valuer from experience valuing similar assets and this forms the basis of the depreciated value of the asset.

Furniture & Equipment

Furniture & Equipment fair values were determined by Council as part of a management review of this asset class as at 30 June 2016.

The Council acquires its furniture and equipment at arm's length from various suppliers. These acquisitions are recorded at cost and any accumulated depreciation reflects the usage of service potential. It is considered that the recorded written down values approximate the fair value of furniture and equipment.

Plant and Equipment

The Town's Plant and Equipment was revalued at 30 June 2016 by independent valuers, AssetVal Pty Ltd. The valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy), and estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount (Level 3 inputs in the fair value hierarchy).

Artworks

The Town's Artwork Collection was revalued at 30 June 2015 by McKenzies Auctioneers, Valuers & Exhibitions. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Level 2 valuation inputs were used to determine the fair value of the artworks. The Artworks have been valued on a market value approach. The subject assets have been compared with items offered for sale in the open market place that are of similar characteristics in order to estimate the Fair Value. This is considered using Level 2 inputs under AASB 13.

Infrastructure Assets

Infrastructure assets of roads, footpath and drainage fair values were determined by independent valuer, APV Valuers, effective date 30 June 2017.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square meters or similar capacity could be supported from markets evidence (Level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset conditions) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 inputs.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides, and were then updated to take into account the experience and understanding of Town of Bassendean's engineering, asset management and finance staff. The results of the valuation were further evaluated by confirmation against the Town's own understanding of the assets and the level of remaining service potential.

Parks, Plant and Equipment

The valuation was prepared at the individual asset level, enabling valuations to then be aggregated up to their asset type and to the portfolio overall. All inventory data used for the valuation has been sourced from the Town's asset databases. These databases are relatively up to date with all being the focus of on-site assessments within the past 2 years. As such, the data represents the most accurate data available. The valuation project determined or updated the fair value of the following assets at 30 June 2015.

Parks
Bus Shelters
Street Furniture
Jetties, Boardwalks, Pontoons and Ramps
Car Parks

The valuation has been undertaken on the basis of producing asset replacement costs based upon the application of unit rates for known asset quantities (measurements). Unit costs were developed from a number of sources, being:

Rawlinson's Australian Construction Handbook 2015 (Edition 33)
Town of Bassendean project costs for the supply and installation of comparative assets through supplier derived prices and installation costs.

37 (d) Valuation Process

The Town engages external, independent and qualified valuers to determine the fair value of the Council's land, building, plant, equipment, infrastructure and artworks on a regular basis, with a management valuation carried out on furniture and equipment. This is in line with Regulation 17(A) of the *Local Government (Financial Management) Regulations 1996*.

As at 30 June 2016, a comprehensive revaluation was undertaken for Plant and Equipment assets by AssetVal Pty Ltd, and a management revaluation was undertaken for Furniture and Equipment assets. As at 30 June 2017, a comprehensive revaluation was undertaken for Land, Buildings, Roads, Footpaths and Drainage by APV Valuers, and a management revaluation was undertaken for Furniture and Equipment assets.

Town of Bassendean
Notes To and Forming Part of the Financial Report
For the Year Ended 30 June 2017

Note 37 Fair Value continued

Management carried out an assessment of the revaluation work performed by the external valuers, which included a review of the valuer's methodology, limitations, algorithms, key assumptions and inputs used in applying the valuation methodology to ensure they were appropriate prior to their application. Changes in fair values were analysed at the end of the reporting period. Consequently, management is satisfied with the results of the valuations undertaken and confirm that the movement in the asset values are reasonable.

37 (e) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Liabilities				
Borrowings	36	2	Income approach using discounted cash flow methodology	Current treasury borrowing rates for similar instruments

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

38. Events after the Reporting Period

There have been no material events after the reporting period which would affect the financial report of the Town of Bassendean for the year ended 30 June 2017 or which would require separate disclosure.



Certified Practising Accountants

Town of Bassendean



Audit Completion Report to the
Audit Committee
For the Year Ended 30 June 2017

27 September 2017

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan discharges the requirements of the Auditing Standard.

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Town of Bassendean for the year ended 30 June 2017.

1.1 Status of Audit

Our audit field work at the Town of Bassendean for the financial year ended 30 June 2017 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	21 April 2017
Interim Audit Management Letter	19 May 2017
Present the Audit Completion Report to the Audit Committee	4 October 2017
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the Town of Bassendean's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Town of Bassendean

- (a) gives a true and fair view of the financial position of the Town of Bassendean as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Town of Bassendean's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of Land and Buildings	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Land and Building assets to be measured at fair value for the year ending 30 June 2017. The Town of Bassendean's Land and Buildings asset classes were revalued at fair value by external valuers, APV Valuers at 30 June 2017.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work. We are satisfied that the expert is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the land and building asset classes.</p>

2	Revaluation of Infrastructure	<p>Town of Bassendean's Infrastructure Assets namely, Roads, Footpaths and Drainage asset classes were also revalued by APV Valuers at fair value at 30 June 2017.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the infrastructure asset classes.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition prevent Councils from recording unexpended untied grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut – off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
4	Contingent Liabilities	<p>Audit procedures included discussions with management, review of council minutes and solicitor's representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Town of Bassendean's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for Town of Bassendean's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2017 have been fully implemented.

5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. In addition, during the course of our year-end fieldwork, other accounting and audit issue was noted. Our consideration of this matter is set out below.

We request that the Audit Committee review the matter below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issue as described below.

1	Area: Asset Management Plans
Recommendation	
	<p>Given the significant work undertaken in the revaluation of the Town of Bassendean's Land and Buildings and Infrastructure Assets during the financial year ended 30 June 2017, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the Town of Bassendean's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

6. Specific Required Communications

The Australian Auditing Standard ASA 260: "Communication with Those Charged with Governance" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Bassendean including new pronouncements adopted during the year, are described in Note 1 to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2017. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the Town of Bassendean, we consider that amounts of a value less than \$24,000 should be considered trivial. This represents 5% of materiality. ➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ A few financial adjustments have been raised through our audit work meaning there are some unadjusted misstatements to report. The net effect of these misstatements was below our performance materiality of \$ 360,000.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<p>when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
<p>Fraud and Illegal Acts</p>	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
<p>Compliance with laws and regulations</p>	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report. ➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
<p>Books and records and conduct of the audit</p>	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
<p>Other Information in Documents Containing Audited Financial Statements</p>	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. ➤ However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.
<p>Related Party Transactions</p>	<ul style="list-style-type: none"> ➤ None of which we are aware other than what is disclosed in Note 33 to the financial statements.
<p>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</p>	<ul style="list-style-type: none"> ➤ None.

Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2017, Macri Partners has not provided any non-audit services to the Town of Bassendean.

7. Disclaimer

This report has been prepared for the Audit Committee and management of Town of Bassendean only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Town of Bassendean.

8. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: RATEPAYERS OF TOWN OF BASSENDEAN

Report on the Financial Report

Opinion

We have audited the financial report of **Town of Bassendean** (the Council), which comprises the Statement of Financial position as at 30 June 2017, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

In our opinion, the accompanying financial report of the **Town of Bassendean** is in accordance with the *Local Government Act 1995* (as amended), including:

- (c) giving a true and fair view of the financial position of the **Town of Bassendean** as at 30 June 2017 and of its financial performance for the year then ended; and
- (d) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Local Government (Financial Management) Regulations 1996* (as amended).

Report on Other Legal and Regulatory Requirements

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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no other 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 noted during the course of our audit.
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at **Note 19** of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) 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.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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 Council in accordance with the auditor independence and 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.

Information Other than the Financial Report and Auditor's Report Thereon

The management is responsible for the other information. The other information comprises the information included in the Council'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. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management for the Financial Report

Management is responsible for the preparation and fair presentation of the 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 controls as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

INDEPENDENT AUDITOR'S REPORT (Cont'd)

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the **Town of Bassendean** for the year ended 30 June 2017 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

**MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100**

**A MACRI
PARTNER**

**PERTH
DATED THIS XXTH DAY OF OCTOBER 2017.**

TOWN OF BASSENDEAN
FINAL ANALYTICAL REVIEW 2016-17
STATEMENT OF COMPREHENSIVE INCOME - BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

All material variances (ie greater than +/-5%) should be explained.

	2017 Actual \$	2016 Actual \$	Variance (\$) Actual 2016 / Actual 2017	Variance (%) Actual 2016 / Actual 2017	Variance Explanation #
Revenue					
Rates	12,618,835	12,059,818	559,017	4.64%	Rate growth has been greater than expected
Operating grants, subsidies and contributions	3,072,446	2,342,814	729,632	31.14%	Significant Increase in grant received
Fees and charges	5,714,467	5,734,184	(19,717)	-0.34%	
Service charges	-	588,273	(588,273)	-100.00%	Underground Power has ceased
Interest earnings	524,551	511,192	13,359	2.61%	Increase in investment revenue
Other revenue	720,383	644,681	75,702	11.74%	Higher Reimbursements
	<u>22,650,682</u>	<u>21,880,962</u>			
Expenses					
Employee costs	(11,670,989)	(10,561,126)	1,109,863	10.51%	Higher staff costs (EBA) + Accruals
Materials and contracts	(6,552,966)	(6,201,182)	351,784	5.67%	Increase in contract related work
Utility charges	(692,324)	(669,249)	23,075	3.45%	Increased Power Costs
Depreciation on non-current assets	(3,314,436)	(3,332,383)	(17,947)	-0.54%	Depreciation Rates on Assets were re-assessed
Interest expenses	(65,682)	(80,828)	(15,146)	-18.74%	Reduced Loan Debt meant lower costs
Insurance expenses	(513,844)	(491,273)	22,571	4.59%	Increased cost in premiums through LGIS
Other expenditure	(1,047,411)	(997,469)	49,942	5.01%	Slight variance in minor line items
	<u>(23,857,652)</u>	<u>(22,333,510)</u>			
Operating Result from Continuing Operations	(1,206,970)	(452,548)	754,422	166.71%	
Non-operating grants, subsidies and contributions					
	1,086,544	934,689	151,855	16.25%	Capital grants for roads higher
Profit on asset disposals	-	-	-	0.00%	
(Loss) on asset disposals	(9,000)	(36,561)	(27,561)	-75.38%	Decreased loss on disposals
Impairment of Assets	-	(102,316)	(102,316)	-100.00%	No Asset adjustment of F & E for 2017
Net Share of Interests in Joint Venture - EMRC	202,422	405,057	(202,635)	-50.03%	EMRC joint venture less increase
Investments in WALGA House	(16,888)	-	(16,888)	100.00%	Reduction in WALGA House investment
	<u>1,263,078</u>	<u>1,200,869</u>			
Net result - Surplus (Deficit)	56,108	748,321			
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes on revaluation of non-current assets	24,562,854	73,823	24,489,031		Majority of Infrastructure Assets Revalued
Total other comprehensive income	24,562,854	73,823			
Total comprehensive income	24,618,962	822,144			

TOWN OF BASSENDEAN
FINAL ANALYTICAL REVIEW 2016-17
INCOME AND EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2017

All material variances (ie greater than +/-5%) should be explained.

	2017 Actual \$	2017 Budget \$	Variance (\$) Actual 2017 /Budget	Variance (%) Actual 2017 /Budget	Variance Explanation #
Revenue					
Rates	12,618,835	12,660,638	(41,803)	-0.33%	
Operating grants, subsidies and contributions	3,072,446	2,656,055	416,391	15.68%	Unexpected Grants received
Fees and charges	5,714,467	5,727,153	(12,686)	-0.22%	
Service charges	-	-	-	0.00%	
Interest earnings	524,551	448,374	76,177	16.99%	Interest on Investments Higher than anticipated.
Other revenue	720,383	398,109	322,274	80.95%	Interest in EMRC not budgetted + Solar Panels inc
	<u>22,650,682</u>	<u>21,890,329</u>	<u>760,353</u>		
Expenses					
Employee costs	(11,670,989)	(10,990,406)	680,583	6.19%	Leave Accruals not Budgetted for
Materials and contracts	(6,552,966)	(7,797,045)	(1,244,079)	-15.96%	Significant underexpenditure in this category
Utility charges	(692,324)	(717,385)	(25,061)	-3.49%	budgetted Power Costs were less expected
Depreciation on non-current assets	(3,314,436)	(3,467,084)	(152,648)	-4.40%	Depreciation Rates on Assets were re-assessed
Interest expenses	(65,682)	(66,523)	(841)	-1.26%	Savings on Underground Power Interest
Insurance expenses	(513,844)	(481,735)	32,109	6.67%	Increased cost in premiums through LGIS
Other expenditure	(1,047,411)	(1,258,648)	(211,237)	-16.78%	Various levels of minor under-expenditure
	<u>(23,857,652)</u>	<u>(24,778,826)</u>	<u>921,174</u>		
Operating Result from Continuing Operations	(1,206,970)	(2,888,497)	1,681,527		
Non-operating grants, subsidies and contributions					
	1,086,544	2,143,353	(1,056,809)	-49.31%	Capital Grants not received
Profit on asset disposals	-	-	-	0.00%	
(Loss) on asset disposals	(9,000)	(186,374)	(177,374)	-95.17%	Sale of Property's did not proceed
Impairment of Assets	-	-	-	0.00%	
Net Share of Interests in Joint Venture - EMRC	202,422	-	202,422	100.00%	Net gain on joint venture
Investments in WALGA House	(16,888)	-	(16,888)	100.00%	Net Loss on joint venture
	<u>1,263,078</u>	<u>1,956,979</u>	<u>(693,901)</u>		
Net result - Surplus (Deficit)	56,108	(931,518)	987,626		
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes on revaluation of non-current assets	24,562,854	-	24,562,854	100.00%	Majority of Infrastructure Assets Revalued
Total other comprehensive income	24,562,854	-	24,562,854		
Total comprehensive income	24,618,962	(931,518)	25,550,480		

ATTACHMENT NO. 2



CEO

Town of Bassendean

PO Box 87

Bassendean 6934

Dear Sir/Madam

Morley Baptist Church

Rates Assessment No A53532 Reference No 1000535321

Application for Rates Exemption

We wish to apply for the exemption we were granted last year to be extended for this year.

The activities of the church have not changed and are related to being a place of worship.

Should you have any questions please call on 0404047093.

Thank you in anticipation

A handwritten signature in black ink, appearing to read "Terry Hicks".

Terry Hicks

Administration Manager

6th September 2017

MORLEY BAPTIST CHURCH INC.
33 Hanwell Way, Bassendean, WA, 6054
08 9377 3413 | reception@morleybaptist.org.au | morleybaptist.org.au
ABN: 72 039 391 474