

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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Principal place of Business:  
9 Aldous Place  
Booragoon WA 6154

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2017**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Southern Metropolitan Regional Council 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 Southern Metropolitan Regional at 30 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 Regulations under that Act.

Signed as authorisation of issue on the 16th day of August 2017



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Tim Youe  
Chief Executive Officer

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**STATEMENT OF COMPREHENSIVE INCOME**

**BY NATURE OR TYPE**

**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2017 Budget \$	2016 \$
<b>REVENUE</b>				
Operating Grants, Subsidies and Contributions	21	2,188,507	2,301,809	2,833,027
Fees and Charges	22	25,960,754	26,756,297	25,084,170
Interest Earnings	2(a)	279,328	101,000	244,584
Other Revenues		34,340	47,250	61,218
		<u>28,462,929</u>	<u>29,206,356</u>	<u>28,222,999</u>
<b>EXPENSES</b>				
Employee Costs		(6,631,534)	(7,407,219)	(6,531,733)
Materials and Contracts	2(a)	(16,808,759)	(18,082,159)	(12,469,956)
Utility Charges		(1,422,011)	(1,395,580)	(1,450,603)
Depreciation on Non-current Assets	2(a)	(3,955,179)	(3,961,202)	(6,008,518)
Interest Expenses	31	(1,117,575)	(1,116,642)	(1,415,179)
Insurance Expenses		(1,248,712)	(1,256,400)	(1,292,148)
		<u>(31,183,770)</u>	<u>(33,219,202)</u>	<u>(29,168,137)</u>
		(2,720,841)	(4,012,846)	(945,138)
Loss on asset disposals	24	<u>0</u>	<u>0</u>	<u>(21,733)</u>
<b>Asset Revaluation Decrements</b>				
Specialised Plant and Equipment	6(b)	0	0	(8,117,133)
Information Technology Equipment		<u>0</u>	<u>0</u>	<u>(33,285)</u>
<b>NET RESULT</b>		<b>(2,720,841)</b>	<b>(4,012,846)</b>	<b>(9,117,289)</b>
<b>Other Comprehensive Income</b>				
<b>Asset Revaluation Increments</b>				
Land and Buildings	6(b)	222,800		
Leasehold Improvements		903,170		
Non-specialised Plant and Equipment		<u>0</u>	<u>0</u>	<u>149,719</u>
<b>Total Other Comprehensive Income</b>		<b>1,125,970</b>	<b>0</b>	<b>149,719</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b><u>(1,594,871)</u></b>	<b><u>(4,012,846)</u></b>	<b><u>(8,967,570)</u></b>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**STATEMENT OF COMPREHENSIVE INCOME**

**BY PROGRAM**

**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2017 Budget \$	2016 \$
<b>REVENUE</b>	2(a)			
Governance		337,465	337,465	329,234
Community Amenities		<u>28,125,464</u>	<u>28,868,891</u>	<u>27,893,765</u>
		28,462,929	29,206,356	28,222,999
<b>EXPENSES EXCLUDING FINANCE COSTS</b>	2(a)			
Governance		(295,816)	(490,465)	(217,293)
Community Amenities		<u>(29,770,379)</u>	<u>(31,612,095)</u>	<u>(27,535,665)</u>
		(30,066,195)	(32,102,560)	(27,752,958)
<b>FINANCE COSTS</b>	31			
Governance		(79,920)	(79,920)	(80,023)
Community Amenities		<u>(1,037,655)</u>	<u>(1,036,722)</u>	<u>(1,335,156)</u>
		(1,117,575)	(1,116,642)	(1,415,179)
Loss on asset disposals	24	<u>0</u>	<u>0</u>	<u>(21,733)</u>
<b>Asset Revaluation Decrements</b>				
Community Amenities	6(b)	<u>0</u>	<u>0</u>	<u>(8,150,418)</u>
<b>NET RESULT</b>		<b>(2,720,841)</b>	<b>(4,012,846)</b>	<b>(9,117,289)</b>
<b>Other Comprehensive Income</b>				
<b>Asset Revaluation Increments</b>				
Community Amenities	6(b)	<u>1,125,970</u>	<u>0</u>	<u>149,719</u>
<b>Total Other Comprehensive Income</b>		<b>1,125,970</b>	<b>0</b>	<b>149,719</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b><u><u>(1,594,871)</u></u></b>	<b><u><u>(4,012,846)</u></u></b>	<b><u><u>(8,967,570)</u></u></b>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	11,573,051	10,077,036
Trade and Other Receivables	4	13,279,892	11,366,923
Inventories	5	600,249	570,443
<b>TOTAL CURRENT ASSETS</b>		<b>25,453,192</b>	<b>22,014,402</b>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	11,215,994	16,896,486
Property, Plant and Equipment	6	32,983,669	35,618,538
<b>TOTAL NON-CURRENT ASSETS</b>		<b>44,199,663</b>	<b>52,515,024</b>
<b>TOTAL ASSETS</b>		<b>69,652,855</b>	<b>74,529,426</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	7	5,093,153	3,788,121
Current Portion of Long-term Borrowings	8	10,106,603	8,083,417
Provisions	9	862,839	831,321
<b>TOTAL CURRENT LIABILITIES</b>		<b>16,062,595</b>	<b>12,702,859</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term Borrowings	8	11,215,994	16,896,486
Provisions	9	116,768	162,455
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,332,762</b>	<b>17,058,941</b>
<b>TOTAL LIABILITIES</b>		<b>27,395,357</b>	<b>29,761,800</b>
<b>NET ASSETS</b>		<b>42,257,498</b>	<b>44,767,626</b>
<b>EQUITY</b>			
Retained Surplus		22,218,139	25,586,999
Reserves- Cash Backed	10	5,983,685	6,250,923
Revaluation Surplus	11	14,055,674	12,929,704
<b>TOTAL EQUITY</b>		<b>42,257,498</b>	<b>44,767,626</b>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
		\$	\$	\$	\$
<b>Balance as at 1 July 2015</b>		<b>35,815,325</b>	<b>5,905,235</b>	<b>12,882,364</b>	<b>54,602,924</b>
<b>Comprehensive Income</b>					
Net Result		(9,117,289)	0	0	(9,117,289)
Changes on Revaluation of Non-current Assets		0	0	149,719	149,719
<b>Total Comprehensive Income</b>		<b>(9,117,289)</b>	<b>0</b>	<b>149,719</b>	<b>(8,967,570)</b>
Transfer of Revaluation Surplus to Equity on sale of Assets		101,043	0	(101,043)	0
Reversal of Revaluation Surplus to offset reduction in fair value of assets		0	0	(1,336)	(1,336)
Loans Repaid from Equity		(866,392)	0	0	(866,392)
Transfer from / (to) Reserves	10	(345,688)	345,688	0	0
<b>Balance as at 30 June 2016</b>		<b>25,586,999</b>	<b>6,250,923</b>	<b>12,929,704</b>	<b>44,767,626</b>
<b>Comprehensive Income</b>					
Net Result		(2,720,841)	0	0	(2,720,841)
Changes on Revaluation of Non-current Assets	11	0	0	1,125,970	1,125,970
<b>Total Comprehensive Income/(Loss)</b>		<b>(2,720,841)</b>	<b>0</b>	<b>1,125,970</b>	<b>(1,594,871)</b>
Loans Repaid from Equity		(915,257)	0	0	(915,257)
Transfer from / (to) Reserves	10	267,238	(267,238)	0	0
<b>Balance as at 30 June 2017</b>		<b>22,218,139</b>	<b>5,983,685</b>	<b>14,055,674</b>	<b>42,257,498</b>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2017 Budget	2016
		\$	\$	\$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Operating Grants, Subsidies and Contributions		1,789,763	2,301,809	3,025,789
Fees and Charges		26,479,422	26,676,477	23,992,591
Interest Earnings		270,181	101,000	206,772
Goods and Services Tax		2,684,426	2,440,000	2,649,821
Other Revenues		34,340	47,250	58,995
		<u>31,258,132</u>	<u>31,566,536</u>	<u>29,933,968</u>
<b>Payments</b>				
Employee Costs		(6,613,942)	(7,300,995)	(6,487,607)
Materials and Contracts		(16,314,072)	(18,079,837)	(13,398,216)
Utility Charges		(1,422,011)	(1,395,580)	(1,450,603)
Interest Expenses		(1,118,079)	(1,116,642)	(1,416,032)
Insurance Expenses		(1,248,712)	(1,256,400)	(1,292,148)
Goods and Services Tax		(1,935,704)	(2,440,000)	(1,935,899)
		<u>(28,652,520)</u>	<u>(31,589,454)</u>	<u>(25,980,505)</u>
<b>Net Cash Provided By Operating Activities</b>	12(b)	<u><b>2,605,612</b></u>	<u><b>(22,918)</b></u>	<u><b>3,953,463</b></u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Information Technology Equipment	6	(43,138)	(80,000)	(2,428)
Plant and Equipment	6	(47,100)	(47,100)	(3,698,058)
Payments for Construction of RRRC Leasehold Improvements	6	(104,102)	(241,000)	0
Payments towards Capital Work In Progress	6	0	0	(22,992)
Proceeds from Sale of Assets	24	0	0	29,777
		<u>(194,340)</u>	<u>(368,100)</u>	<u>(3,693,701)</u>
<b>Net Cash Used In Investing Activities</b>		<u><b>(194,340)</b></u>	<u><b>(368,100)</b></u>	<u><b>(3,693,701)</b></u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Loans	31	(3,657,306)	(3,657,319)	(3,483,629)
Contributions from Project Participants for Loan Repayments		2,742,049	2,742,063	2,617,237
		<u>(915,257)</u>	<u>(915,256)</u>	<u>(866,392)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u><b>(915,257)</b></u>	<u><b>(915,256)</b></u>	<u><b>(866,392)</b></u>
<b>Net Increase / (Decrease) in Cash Held</b>		<u><b>1,496,015</b></u>	<u><b>(1,306,274)</b></u>	<u><b>(606,630)</b></u>
Cash and Cash Equivalents at Beginning of Year	12(a)	10,077,036	10,077,036	10,683,666
<b>Cash and Cash Equivalents at End of Year</b>	12(a)	<u><u>11,573,051</u></u>	<u><u>8,770,762</u></u>	<u><u>10,077,036</u></u>

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

**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 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 the cash flow 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 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 Council 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 17 to these financial statements.

The financial report is presented in Australian Dollars.

**(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.



SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(d) Trade and Other Receivables**

Trade and other receivables include amounts due from 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**

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.

**(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 Council 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 Council revalue 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.

***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 Council 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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(f) Fixed Assets (Continued)**  
**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.

**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:

Computer Equipment	3 to 5 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	4 to 20 years
Leasehold Improvements	10 to 50 years
Freehold Buildings	40 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 furniture, computer and electronic equipment under \$5,000, vehicles, mobile plant and equipment under \$5,000 and fixed plant and equipment, building and infrastructure under \$10,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(g) Fair Value of Assets and Liabilities**

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

Fair Value is the price that the Council 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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(g) Fair Value of Assets and Liabilities (Continued)**

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 Council 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 Council are consistent with one or more of the following valuation approaches:

**Market approach**

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

**Income approach**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(g) Fair Value of Assets and Liabilities (Continued)**

**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 Council 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 and 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 Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council 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.

***(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Financial Instruments (Continued)**

***Classification and Subsequent Measurement (continued)***

(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 Council 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.

***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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(h) Financial Instruments (Continued)**  
***Impairment (continued)***

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

***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 Council 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**

In accordance with Australian Accounting Standards the Council'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 Council prior to the end of the financial year that are unpaid and arise when the Council 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.

**(k) Employee Benefits**

***Short-Term Employee Benefits***

Provision is made for the Council'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 Council'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 Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Employee Benefits (Continued)**

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

**(o) Grants, Donations and Other Contributions**

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Grants, Donations and Other Contributions (Continued)**

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.

**(p) Superannuation**

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

**(q) 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 Council's operational cycle. In the case of liabilities where the Council 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.

**(r) Rates**

The Council does not levy rates. Accordingly, the rating statement and information as required by the Local Government Act (Financial Management Regulations) has not been presented in these financial reports.

**(s) Participants Contribution**

The Participants contributions towards the Regional Resource Recovery Centre (RRRC) is treated as an equity contribution. The Participants Equity is also credited when loans are taken which are guaranteed by SMRC or RRRC participants. The corresponding liability of participants is shown as a receivable.

However, when loans are repaid by the Council without seeking funds from the project participants, the receivables and equity are reduced by the amount of loans repaid.

**(t) Rounding Off Figures**

All figures shown in this annual financial report 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 Council 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 approved revised budget estimate for the relevant item of disclosure. Where required, the budget comparative figures have been adjusted to conform with changes in presentation for the current financial year.



**SOUTHERN METROPOLITAN REGIONAL COUNCIL  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(w) 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 Council.

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(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 Council, 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 Council 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 Council, the impact is not expected to be significant.
(iv)	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: - 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.  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 Council's operations.

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

**(x) Adoption of New and Revised Accounting Standards**

During the current year, the Council 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 Council 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.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**2 REVENUES AND EXPENSES**

	<b>2017</b>	<b>2016</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Result from Ordinary Activities</b>			
The Result from Ordinary Activities includes:			
(i) Charging as Expenses:			
<b>Auditors Remuneration</b>			
- Audit of Financial Report	13,224	12,500	
	<u>13,224</u>	<u>12,500</u>	
<b>Amortisation</b>			
- Leasehold Improvements	1,932,244	2,944,145	
	<u>1,932,244</u>	<u>2,944,145</u>	
<b>Depreciation</b>			
Computer Equipment	21,248	17,635	
Furniture and Equipment	8,216	3,771	
Plant and Equipment	1,961,731	3,015,367	
Freehold Buildings	31,740	27,600	
	<u>2,022,935</u>	<u>3,064,373</u>	
Total Amortisation and Depreciation	<u>3,955,179</u>	<u>6,008,518</u>	
<b>Rental Charges - Operating Leases</b>	<u>1,002,102</u>	<u>957,780</u>	
<b>Materials and Contracts</b>			
Advertising and Promotion	109,411	243,814	
Consultants Costs	241,412	419,878	
Consumables and Process Costs	215,626	196,041	
Contracted Services	249,659	282,961	
Disposal Costs	8,046,243	7,246,764	
Equipment Hire	315,240	274,990	
Maintenance Expenses- Non-routine	1,830,524	303,465	
Maintenance Expenses- Routine	3,968,801	1,863,970	
Site Lease Rent	684,848	650,000	
Site Maintenance	399,180	247,723	
Other Costs	747,815	740,350	
	<u>16,808,759</u>	<u>12,469,956</u>	
(ii) Crediting as Revenues:			
	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
<b>Interest Earnings</b>			
- Reserve Funds	256,133	101,000	213,684
- Other Funds	23,195	0	30,900
	<u>279,328</u>	<u>101,000</u>	<u>244,584</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**2 REVENUES AND EXPENSES (Continued)**

**(b) Statement of Objective**

The regional purposes for which the Regional Local Government is established are:

- (a) to plan, coordinate and implement the removal, processing, treatment and disposal of waste for the benefit of the communities of the participants;
- (b) to influence local, state and federal governments in the development of regional waste management policies and legislation.

The objectives of the Regional Local Government shall be:

- (a) without loss being incurred by the Regional Local Government, to carry out the regional purposes so that services and facilities are provided to the consumer at a reasonable cost and with due regard for community needs;
- (b) to reduce the quantity of waste disposed at landfill sites in accordance with targets set by the Regional Local Government.

The Council operations as disclosed in this report encompass the following service orientated programs:

**GOVERNANCE**

Administration and operation facilities and services to Members of Council, other costs that relate to tasks of assisting the member councils and the public on matters which do not concern specific council services. In accordance with legislative changes effective 1 July 1997, the General Administration costs have been allocated to the various programs of the Council to reflect the true cost of the services provided. Directly attributable administration costs have been recorded in the relevant program while indirect costs have been allocated on the basis of Administration staff timesheets.

**COMMUNITY AMENITIES**

To provide environmentally friendly waste management facilities to consumers at a competitive cost, mindful of community requirements, whilst aiming to greatly reduce the quantity of waste disposed at landfill sites. This includes the Regional Resource Recovery Centre at Canning Vale which is a Major Commercial Business Undertaking.

	2017 \$	2016 \$
<b>(c) Conditions Over Grants / Contributions</b>		
Grants which were recognised as revenues in the previous reporting period, which were not expended at the close of the previous reporting period :		
Educational Grant for Recycle Right in Avon Region	0	8,347
Waste Educational Regional Funding Grant	0	6,461
	0	14,808
Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Metropolitan Youth Development Scholarship	20,000	0
Educational Grant for Recycle Right in Avon Region	0	0
Waste Educational Regional Funding Grant	0	0
Less: Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Metropolitan Youth Development Scholarship	4,234	0
Educational Grant for Recycle Right in Avon Region	0	8,347
Waste Educational Regional Funding Grant	0	6,461
Closing Balance of Unspent Grants	15,766	0
Comprises:		
Metropolitan Youth Development Scholarship	15,766	0
Educational Grant for Recycle Right in Avon Region	0	0
Waste Educational Regional Funding Grant	0	0
	15,766	0

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
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<b>3 CASH AND CASH EQUIVALENTS</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash on Hand	650	650
Cash at Bank	39,536	1,474,558
Call Deposits	630,000	360,000
Short Term Deposits	10,902,865	8,241,828
	<u>11,573,051</u>	<u>10,077,036</u>
Unrestricted	5,071,335	3,321,849
Restricted	6,501,716	6,755,187
	<u>11,573,051</u>	<u>10,077,036</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	15,766	0
Retention and Bonds	502,265	504,264
RRRC Plant Reserve	1,872,318	2,139,556
RRRC Contingency & Development Reserve	2,311,367	2,311,367
Travel and Conference Reserve	50,000	50,000
Office Accommodation Reserve	250,000	250,000
Property Insurance Reserve	500,000	500,000
RRRC Restoration Reserve	1,000,000	1,000,000
	<u>6,501,716</u>	<u>6,755,187</u>
<b>4 TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Sundry Debtors	2,659,016	3,177,684
Accrued Income	493,852	85,961
Prepaid Expenses	20,421	19,861
Loan Debtors - Project Participants	10,106,603	8,083,417
	<u>13,279,892</u>	<u>11,366,923</u>
<b>Non-Current</b>		
Loan Debtors - Project Participants	11,215,994	16,896,486
	<u>11,215,994</u>	<u>16,896,486</u>
<b>5 INVENTORIES</b>		
Stock on Hand - Fuel	3,745	4,968
Stock on Hand - RRRC Critical Spares	596,504	565,475
	<u>600,249</u>	<u>570,443</u>
<b>6 (a) PROPERTY, PLANT AND EQUIPMENT</b>		
Freehold Land - Independent Valuation - July 2016	910,000	0
Freehold Land - Independent Valuation - June 2013	0	950,000
Freehold Building - Independent Valuation - July 2016	1,380,000	0
Freehold Building - Independent Valuation - June 2013	0	1,200,000
Less Accumulated Depreciation	(31,740)	(82,800)
Total Freehold Land and Buildings	<u>2,258,260</u>	<u>2,067,200</u>
RRRC Leasehold Improvements - Independent Valuation - July 2016	19,312,000	0
RRRC Leasehold Improvements - Independent Valuation - June 2013	0	26,201,300
Additions after valuation - Cost	127,094	959,868
Less Accumulated Amortisation	(1,932,244)	(8,752,338)
	<u>17,506,850</u>	<u>18,408,830</u>
Information Technology Equipment - Independent Valuation - June 2016	32,000	32,000
Additions after valuation - Cost	43,138	0
Less Accumulated Depreciation	(21,248)	0
	<u>53,890</u>	<u>32,000</u>
Furniture and Equipment - Independent Valuation - June 2016	8,216	8,216
Additions after valuation - Cost	0	0
Less Accumulated Depreciation	(8,216)	0
	<u>0</u>	<u>8,216</u>
Plant and Equipment - Independent Valuation - June 2016	15,079,300	15,079,300
Additions after valuation - Cost	47,100	0
Less Accumulated Depreciation	(1,961,731)	0
	<u>13,164,669</u>	<u>15,079,300</u>
Capital Work In Progress - Cost	0	22,992
Total Property, Plant and Equipment	<u>32,983,669</u>	<u>35,618,538</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	<b>Balance at the Beginning of the Year \$</b>	<b>Additions \$</b>	<b>(Disposals) \$</b>	<b>Revaluation Increments/ (Decrements) \$</b>	<b>Impairment (Losses)/ Reversals \$</b>	<b>Depreciation (Expense) \$</b>	<b>Reclassification \$</b>	<b>Carrying Amount at the End of Year \$</b>
Freehold land	950,000	0	0	(40,000)	0	0	0	910,000
<b>Total land</b>	<b>950,000</b>	<b>0</b>	<b>0</b>	<b>(40,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>910,000</b>
Non-specialised buildings	1,117,200	0	0	262,800	0	(31,740)	0	1,348,260
Specialised buildings	18,408,830	104,102	0	903,170	0	(1,932,244)	22,992	17,506,850
<b>Total buildings</b>	<b>19,526,030</b>	<b>104,102</b>	<b>0</b>	<b>1,165,970</b>	<b>0</b>	<b>(1,963,984)</b>	<b>22,992</b>	<b>18,855,110</b>
<b>Total land and buildings</b>	<b>20,476,030</b>	<b>104,102</b>	<b>0</b>	<b>1,125,970</b>	<b>0</b>	<b>(1,963,984)</b>	<b>22,992</b>	<b>19,765,110</b>
Information Technology Equipment	32,000	43,138	0	0	0	(21,248)	0	53,890
Furniture and Equipment	8,216	0	0	0	0	(8,216)	0	0
Non-specialised Plant and Equipment	1,102,600	47,100	0	0	0	(228,468)	0	921,232
Specialised Plant and Equipment	13,976,700	0	0	0	0	(1,733,263)	0	12,243,437
Capital Work In Progress	22,992	0	0	0	0	0	(22,992)	0
<b>Total property, plant and equipment</b>	<b>35,618,538</b>	<b>194,340</b>	<b>0</b>	<b>1,125,970</b>	<b>0</b>	<b>(3,955,179)</b>	<b>0</b>	<b>32,983,669</b>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and buildings</b>					
Freehold land	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 July 2016	Observable open market value of assets, condition, comparison and highest and best use.
Non-specialised buildings	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 July 2016	Observable open market value of assets, condition, comparison and highest and best use.
Specialised buildings	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	1 July 2016	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence.
Information Technology Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2016	Observable open market value of assets, condition and comparison.
Furniture and Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2016	Observable open market value of assets, condition and comparison.
Non-specialised Plant and Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2016	Observable open market value of assets, condition and comparison.
Specialised Plant and Equipment	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	30 June 2016	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence.

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

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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<b>7 TRADE AND OTHER PAYABLES</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Sundry Creditors	4,092,722	2,959,957
Accrued Expenses	397,360	254,351
Accrued Salaries and Wages	98,550	66,789
Accrued Loan Interest	2,256	2,760
Income in Advance	0	0
Retention and Bonds	502,265	504,264
	<u>5,093,153</u>	<u>3,788,121</u>

**8 LONG TERM BORROWINGS**

<b>Current</b>		
Debentures	10,106,603	8,083,417
	<u>10,106,603</u>	<u>8,083,417</u>
<b>Non Current</b>		
Debentures	11,215,994	16,896,486
	<u>11,215,994</u>	<u>16,896,486</u>

Additional detail on Debentures is provided in Note 31 (a) and (b)

The Council has two lending facilities for the following projects:

**(a). The Regional Resource Recovery Centre Loan Limit \$55 Million**

The RRRC Project Participants have guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the RRRC Project.

Project Participants' limit of its share of the loan liability is as follows:

	<b>2017</b>	<b>2016</b>		
City of Cockburn	42.97%	42.53%	8,388,860	9,858,413
Town of East Fremantle	3.05%	3.06%	595,439	709,305
City of Fremantle	12.22%	12.27%	2,385,661	2,844,174
City of Melville	41.76%	42.14%	8,152,637	9,768,011
			<u>19,522,597</u>	<u>23,179,903</u>

**(b). Administration Building (9 Aldous Place, Booragoon) Loan Limit \$2 Million**

The SMRC Participants have guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the SMRC Administration building at 9 Aldous Place, Booragoon. WA 6154.

Participants' limit of its share of the loan liability is as follows:

	<b>2017</b>	<b>2016</b>		
City of Cockburn	37.29%	37.09%	671,220	667,620
Town of East Fremantle	2.65%	2.67%	47,700	48,060
City of Fremantle	10.61%	10.70%	190,980	192,600
Town of Kwinana	13.22%	12.80%	237,960	230,400
City of Melville	36.23%	36.74%	652,140	661,320
			<u>1,800,000</u>	<u>1,800,000</u>

**9 PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance as at 1 July 2016</b>			
Current provisions	351,782	479,539	831,321
Non-current provisions	0	162,455	162,455
	<u>351,782</u>	<u>641,994</u>	<u>993,776</u>
Additional Provisions	330,237	68,587	398,824
Amounts used	(364,555)	(48,438)	(412,993)
<b>Balance as at 30 June 2017</b>	<u>317,464</u>	<u>662,143</u>	<u>979,607</u>
<b>Comprises</b>			
Current	317,464	545,375	862,839
Non-current	0	116,768	116,768
	<u>317,464</u>	<u>662,143</u>	<u>979,607</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2017**

**10 RESERVES- CASH BACKED**

In accordance with the Council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

- RRRC Plant Reserve-** to be used to fund the purchase of plant and equipment for the Canning Vale RRRC Project as per the adopted budget - Ongoing
- RRRC Contingency & Development Reserve-** to be used to fund the capital expenditure requirements and/or loan borrowings for the Canning Vale RRRC Project and to be utilised as per the adopted budget- Ongoing
- Travel and Conference Reserve-** to be used to fund the requirements for staff and Councillors' travel and conference attendance- Ongoing
- Office Accommodation Reserve-** to be used for funding capital renewal expenditure and non-recurrent maintenance expenditure for the SMRC property located at 9 Aldous Place Booragoon- Ongoing
- Property Insurance Reserve-** to be used fund repair and replacement expenses resulting from an event causing damage or loss to RRRC assets up to the value of \$1 million- Ongoing
- RRRC Restoration Reserve -** to be used to meet lease obligations resulting from an early termination of the Ground Lease or at the expiry of the Ground Lease - Ongoing

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
<b>(a) RRRC Plant Reserve</b>			
Balance as at 1 July	2,139,556	2,139,556	3,117,961
Transfers to Reserve	1,665,000	1,665,000	2,447,000
Transfers from Reserve	(1,932,238)	(1,994,000)	(3,425,405)
Balance as at 30 June	<u>1,872,318</u>	<u>1,810,556</u>	<u>2,139,556</u>
<b>(b) RRRC Contingency &amp; Development Reserve</b>			
Balance as at 1 July	2,311,367	2,311,367	2,068,367
Transfers to Reserve	0	382,000	243,000
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>2,311,367</u>	<u>2,693,367</u>	<u>2,311,367</u>
<b>(c) Travel and Conference Reserve</b>			
Balance as at 1 July	50,000	50,000	50,000
Transfers to Reserve	0	0	0
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<b>(d) Office Accommodation Reserve</b>			
Balance as at 1 July	250,000	250,000	209,907
Transfers to Reserve	0	0	40,093
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
<b>(e) Property Insurance Reserve</b>			
Balance as at 1 July	500,000	500,000	459,000
Transfers to Reserve	0	0	41,000
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>(f) RRRC RRRC Restoration Reserve</b>			
Balance as at 1 July	1,000,000	1,000,000	0
Transfers to Reserve	0	0	1,000,000
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total Reserves- Cash backed</b>	<u>5,983,685</u>	<u>6,303,923</u>	<u>6,250,923</u>

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

**SUMMARY OF RESERVE TRANSFERS**

**Transfers To Reserves- Cash Backed**

RRRC Plant Reserve	1,665,000	1,665,000	2,447,000
RRRC Contingency & Development Reserve	0	382,000	243,000
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	0	0	40,093
Property Insurance Reserve	0	0	41,000
RRRC Restoration Reserve	0	0	1,000,000
	<u>1,665,000</u>	<u>2,047,000</u>	<u>3,771,093</u>

**SUMMARY OF RESERVE TRANSFERS**

**Transfers From Reserves- Cash Backed**

RRRC Plant Reserve	(1,932,238)	(1,994,000)	(3,425,405)
RRRC Contingency & Development Reserve	0	0	0
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	0	0	0
Property Insurance Reserve	0	0	0
RRRC Restoration Reserve	0	0	0
	<u>(1,932,238)</u>	<u>(1,994,000)</u>	<u>(3,425,405)</u>

Net Reserve Movement (Cash Backed)	<u>(267,238)</u>	<u>53,000</u>	<u>345,688</u>
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**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2017**

<b>11 REVALUATION SURPLUS</b>	<b>2017</b> <b>\$</b>	<b>2017</b> <b>Budget</b> <b>\$</b>	<b>2016</b> <b>\$</b>
In accordance with the Council resolution, the Revaluation Surplus cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.			
<b>(a) Land and Buildings</b>			
Balance as at 1 July	597,933	597,933	597,933
Increments / (Decrements)	<u>222,800</u>	<u>0</u>	<u>0</u>
Balance as at 30 June	<u><u>820,733</u></u>	<u><u>597,933</u></u>	<u><u>597,933</u></u>
<b>(b) Leasehold Improvements</b>			
Balance as at 1 July	11,438,809	11,438,809	11,438,809
Increments / (Decrements)	<u>903,170</u>	<u>0</u>	<u>0</u>
Balance as at 30 June	<u><u>12,341,979</u></u>	<u><u>11,438,809</u></u>	<u><u>11,438,809</u></u>
<b>(c) Non-Specialised Plant and Equipment</b>			
Balance as at 1 July	892,962	892,962	844,286
Increments / (Decrements)	<u>0</u>	<u>0</u>	<u>48,676</u>
Balance as at 30 June	<u><u>892,962</u></u>	<u><u>892,962</u></u>	<u><u>892,962</u></u>
<b>(d) Information Technology Equipment</b>			
Balance as at 1 July	0	0	1,336
Increments / (Decrements)	<u>0</u>	<u>0</u>	<u>(1,336)</u>
Balance as at 30 June	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
<b>Total Revaluation Surplus</b>	<u><u>14,055,674</u></u>	<u><u>12,929,704</u></u>	<u><u>12,929,704</u></u>

**12 NOTES TO THE CASH FLOW STATEMENT**

**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments, 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:

Cash on Hand	650	650	650
Cash at Bank	39,536	50,000	1,474,558
Call Deposits	630,000	360,000	360,000
Short Term Deposits	<u>10,902,865</u>	<u>8,360,112</u>	<u>8,241,828</u>
	<u><u>11,573,051</u></u>	<u><u>8,770,762</u></u>	<u><u>10,077,036</u></u>

**(b) Reconciliation of Net Cash Provided By Operating Activities to Change in Net Assets Resulting from Operations**

Net result	(2,720,841)	(4,012,846)	(9,117,289)
Add / (Less):			
Depreciation	2,022,935	2,030,002	3,064,373
Amortisation	1,932,244	1,931,200	2,944,145
Asset revaluation decrements	0	0	8,150,418
(Increase)/Decrease in Receivables	518,668	(9,907)	(1,091,579)
(Increase)/Decrease in Accrued Income	(407,891)	(174,178)	154,950
(Increase)/Decrease in Prepaid Expenses	(560)	0	0
(Increase)/Decrease in Inventories	(29,806)	(9,557)	(147,640)
Increase/(Decrease) in Creditors and Accruals	1,305,032	116,143	(37,489)
Increase/(Decrease) in Employee Provisions	(14,169)	106,225	11,841
Loss on sale of assets	0	0	21,733
<b>Net Cash from Operating Activities</b>	<u><u>2,605,612</u></u>	<u><u>(22,918)</u></u>	<u><u>3,953,463</u></u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
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**12 NOTES TO THE CASH FLOW STATEMENT (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Credit Standby Arrangements</b>		
Credit Card limit	25,000	20,000
Credit Card balance at reporting date	(6,600)	(8,400)
<b>Total Amount of Credit Unused</b>	<u>18,400</u>	<u>11,600</u>
<b>(d) Loan Facilities</b>		
Loan Facilities - Current	10,106,603	8,083,417
Loan Facilities - Non-Current	11,215,994	16,896,486
<b>Total Facilities in Use at reporting date</b>	<u>21,322,597</u>	<u>24,979,903</u>
<b>Unused Loan Facilities at reporting date</b>	<u>0</u>	<u>0</u>

**13 CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the Statement of Financial Position as follows:

Regional Resource Recovery Centre Contracts	<u>0</u>	<u>0</u>
Payable:		
- not later than one year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

**(b) Operating Lease Commitments**

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

Payable:		
- not later than one year	787,035	853,888
- later than one year but not later than two years	695,293	810,026
- later than two years but not later than five years	1,950,449	2,078,622
- later than five years	8,000,000	10,000,000
	<u>11,432,777</u>	<u>13,742,536</u>

**14 CONTINGENT LIABILITIES**

There were no claims or pending claims or any other contingent liabilities as at the reporting date (2016- Nil).

**15 TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

Community Amenities	<u>69,652,855</u>	<u>74,529,426</u>
	<u>69,652,855</u>	<u>74,529,426</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
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	2017 \$	2017 Budget \$	2016 \$
<b>16 COUNCILLORS' REMUNERATION</b>			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	56,650	58,350	56,650
Chairman Allowance	19,570	20,000	19,570
Deputy Chairman Allowance	4,965	5,197	4,893
Other Allowances	17,500	18,565	17,500
Other reimbursements	1,145	1,888	1,455
	99,830	104,000	100,068

**17 TRUST FUNDS**

The Council does not have any trust funds on hand as at 30 June 2017 (2016- Nil).

**18 BUDGET COMPARISON**

**(a) Operating Income and Expenditure**

	2017 \$	2017 \$ Budget
Recycling Facility Surplus / (Deficit)	1 281,744	915,256
Waste Composting Facility Surplus / (Deficit)	2 773,524	636,000
Green Waste Facility Surplus / (Deficit)	3 215,573	(100,000)
RRRC Administration Surplus / (Deficit)	4 (57,811)	60,000
Depreciation on non-current assets	(3,955,179)	(3,961,202)
Others	5 21,308	(1,562,900)
Net Result	(2,720,841)	(4,012,846)

Comments - Reasons for variations from budgeted amounts:

1. Lower commodity volumes
2. Savings in expenses
3. Higher volumes and savings in expenses
4. Higher site maintenance expenses
5. Savings in expenses

**(b) Non Operating Income and Expenditure**

The following is a comparison of non-operating income and expenditure not included in the operating statement:

**Non Operating Income**

Loan Principal Contributions	2,742,049	2,742,063
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**Non Operating Expenditure**

Principal repayment of loans	3,657,306	3,657,319
Asset revaluation decrements	0	0
Construction/purchase of assets		
Information Technology Equipment	1 43,138	80,000
Furniture and Fittings	0	0
Plant and Equipment	47,100	47,100
Leasehold Improvements	1 104,102	241,000
Capital Work-in-progress	0	0

Comments - Reasons for variations from budgeted amounts:

1. Savings in expenses

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

19 MAJOR TRADING UNDERTAKING

**REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE**

This project is undertaken on behalf of the SMRC's four participating councils. The \$55 million project funded by borrowings and payable over 10-20 years by the four participants, involves the construction of an administration and visitors centre, weighbridge, greenwaste processing and waste composting and recycling facility. Operating revenues is received from gate fees from participants / the private sector and sale of materials. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

**STATEMENT OF COMPREHENSIVE INCOME**

	2017	2016
	\$	\$
<b>Revenues from Ordinary Activities</b>		
Education & Marketing	293,690	435,843
RRRC Admin & Weighbridge	209,298	356,868
Recycling	6,641,212	5,924,563
Greenwaste	1,177,780	1,461,775
Waste Compost	18,564,371	17,861,587
Business Development	(446,150)	221,704
Waste Audit Service	24,952	48,042
Contributions for interest on loans	959,396	1,221,973
	<u>27,424,549</u>	<u>27,532,355</u>
<b>Less Expenses from Ordinary Activities</b>		
Education & Marketing	(292,789)	(440,780)
RRRC Admin & Weighbridge	(446,035)	(339,706)
Recycling	(7,788,244)	(7,628,244)
Greenwaste	(1,030,307)	(1,312,048)
Waste Compost	(20,013,232)	(17,493,219)
Business Development	(51,225)	(274,602)
Waste Audit Service	(101,820)	(94,813)
Loss on sale of Assets	0	(21,733)
	<u>(29,723,652)</u>	<u>(27,605,145)</u>
<b>Less Borrowing Cost Expense</b>		
RRRC Property	(959,038)	(1,221,275)
<b>Net Profit or (Loss)</b>	<u><b>(3,258,141)</b></u>	<u><b>(1,294,065)</b></u>

**STATEMENT OF FINANCIAL POSITION**

<b>Current Assets</b>		
Cash and Cash Equivalents	8,633,486	7,498,196
Trade and Other Receivables	13,049,400	11,363,474
Inventories	600,249	570,443
Total Current Assets	<u>22,283,135</u>	<u>19,432,113</u>
<b>Non-Current Assets</b>		
Trade and Other Receivables	9,415,994	15,096,486
Property, Plant and Equipment	13,174,603	15,111,267
Leasehold Improvements	17,506,850	18,408,830
Total Non-Current Assets	<u>40,097,447</u>	<u>48,616,583</u>
<b>Total Assets</b>	<u>62,380,582</u>	<u>68,048,696</u>
<b>Current Liabilities</b>		
Trade and Other Payables	4,984,849	3,712,001
Borrowings - Current Portion	10,106,603	8,083,417
Provisions	445,362	412,577
Total Current Liabilities	<u>15,536,814</u>	<u>12,207,995</u>
<b>Non-Current Liabilities</b>		
Borrowings - Non-current Portion	9,415,994	15,096,486
Provisions	97,401	143,614
Total Non-Current Liabilities	<u>9,513,395</u>	<u>15,240,100</u>
<b>Total Liabilities</b>	<u>25,050,209</u>	<u>27,448,095</u>
<b>Net Assets</b>	<u><b>37,330,373</b></u>	<u><b>40,600,601</b></u>
<b>Equity</b>		
Opening Balance	40,600,601	50,763,092
RRRC Participants Contribution towards Equity	0	0
Retained Surplus/(Deficit) for year	(3,258,141)	(1,294,065)
Fair value adjustment to Non-Current assets	903,170	(8,002,034)
Less: Loans repaid from Equity	(915,257)	(866,392)
<b>Total Equity</b>	<u><b>37,330,373</b></u>	<u><b>40,600,601</b></u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
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**20 ECONOMIC DEPENDENCY**

A significant portion of revenue is received from the members as contributions as disclosed in note 21 and also in form of RRRC Gate fees as indicated in the note 22.

**21 GRANTS, SUBSIDIES AND CONTRIBUTIONS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income		
By Programme:		
Governance		
Annual Member's Contributions	337,465	329,234
Reimbursements	0	0
Community Amenities		
Annual Member's Contributions	517,565	505,267
Member's Contributions towards interest	959,396	1,221,973
Grants	8,000	169,041
Reimbursements	366,081	607,512
	<b>2,188,507</b>	<b>2,833,027</b>
By Nature or Type:		
Operating Grants, Subsidies and Contributions	2,188,507	2,833,027

**22 FEES AND CHARGES**

Community Amenities		
RRRC Gate Fees from Members	19,748,119	18,987,431
RRRC Gate Fees from Non-Members	2,435,939	2,757,063
Sale of Products	3,751,744	3,291,634
Others	24,952	48,042
	<b>25,960,754</b>	<b>25,084,170</b>

**23 FINANCIAL RATIOS**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current Ratio	1.22	1.25	1.23
Asset Sustainability Ratio	0.05	0.06	0.17
Debt Service Cover Ratio	0.49	(0.35)	1.33
Operating Surplus Ratio	(0.10)	(0.03)	(0.04)
Own Source Revenue Coverage Ratio	0.91	0.96	0.96

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation Expense}}$
Debt Service Cover Ratio	$\frac{\text{Annual Operating Surplus before interest and depreciation}}{\text{Principal and Interest}}$
Operating Surplus Ratio	$\frac{\text{Operating Revenue minus Operating Expense}}{\text{Own Source Operating Revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$

Note: Information relating to Asset Consumption Ratio and Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 40 of this document.

The Debt Service Cover Ratio for the year 2016 disclosed above is distorted by item of significant expense totalling \$8,150,418 relating to the revaluation decrements of specialised plant & equipment and information technology equipment in accordance with Financial Management Regulations 17A (refer to Note 6(b) for further details). This amount has been included in the calculations above. If the revaluation decrements are considered to be "one-off" and non-cash in nature and, if these are ignored, the Debt Service Cover Ratio would have been 1.32 instead of (0.35) as shown in 2016.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**24 DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR**

There are no disposal of fixed assets by the Council during the year (2016 - \$51,510).

**25 RATING INFORMATION**

Being a Regional Council, no rates were raised during the year ended 30 June 2017 and in the year ended 30 June 2016.

**26 MEMBERS WITHDRAWAL FROM THE SMRC**

**(a) City of Canning's withdrawal from the SMRC**

Pursuant to a resolution of the City of Canning on 19 February 2009, the City of Canning, as a Participant under the Establishment Agreement and Project Agreements, gave notice of its intention to withdraw from the SMRC effective from 30 June 2010. In line with the Agreements the City of Canning withdrew from SMRC with effect from that date.

A settlement agreement in September 2012 was agreed between the remaining Participants and the City of Canning to allow the City of Canning to separate its share of the RRRC outstanding loans resulting in a separate loan agreement with the Western Australian Treasury Corporation.

The loan liability was reduced by terminating loans amounting to \$43,440,979, which included the share of the City of Canning and replacing loans that do not have a share of the City of Canning's liability amounting to \$31,286,786.

RRRC Project Agreement states that the assets acquired from borrowings are to be valued only when the borrowings are fully repaid. The appropriate share of City of Canning in these assets is valued at current book values. The share of City of Canning in these assets is still shown as a part of Equity as the City of Canning is not currently entitled for the amount as per the RRRC Project Agreement.

**(b) City of Rockingham 's withdrawal from the SMRC**

Pursuant to a resolution of the City of Rockingham on 27 April 2011, the City of Rockingham, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, gave a notice of its intention to withdraw from the SMRC effective from 30 June 2012. In line with the Agreements, the City of Rockingham withdrew from SMRC on 30 June 2012.

**(c) City of Cockburn's withdrawal from the Regional Resource Recovery Centre (RRRC) Project**

Pursuant to a resolution of the City of Cockburn on 9 June 2016, the City of Cockburn as a participant under the RRRC Project Agreement, has given notice of its intention to withdraw from the RRRC Project effective from 30 June 2017. It has not withdrawn from the SMRC Establishment Agreement or the Office Accommodation Project Agreement. In accordance with the RRRC Project Agreement, the SMRC is to prepare an amended business plan of the RRRC Project having regard to the effect of the withdrawal. The amended business plan is expected to be finalised by September 2017.

The City of Cockburn's proportional loan liability as at 30 June 2017 at note 8 (a) for the RRRC Project will continue to be paid by the City of Cockburn.

**27 MRF BUSINESS PLAN ON SALE/ LEASE OF THE FACILITY.**

In accordance with Section 3.59 of the Local Government Act 1995 (WA), a major trading undertaking and major land transaction business plan for the disposal, by tender, of Materials Recovery Facility (MRF) was made available on 8 August 2015 for inspection and members of the public were invited to make submissions up to 22 September 2015 in relation to the business plan. No submissions were received and the Council resolved to adopt the plan on 14 October 2015.

The public tender closed on 1 March 2016 and the council resolved at its meeting held 27 October 2016 that no tenders be accepted for Tender 2015-05 Disposal of Material Recovery Facility and Provision of waste processing services.

**28 RRRC LICENCE**

In April 2016, the Department of Environment Regulation amended our operating licence for the Regional Resource Recovery Centre by extending the expiry date till 30 March 2033. SMRC is complying with all the conditions and believes that the licence will be renewed when it is due for renewal.

**29 EVENTS SUBSEQUENT TO THE REPORTING DATE**

There have been no significant transactions or events of a material and unusual nature that have arisen since the end of the reporting date, likely to affect the operations, the results of operations or state of affairs of the Council except for the members withdrawal from the SMRC as disclosed in note 26 of the financial statements.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**30 RELATED PARTY TRANSACTIONS**

**Key Management Personnel (KMP) Compensation Disclosure**

**2017**  
**\$**

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

Short-term employee benefits	766,792
Post-employment benefits	131,140
Other long-term benefits	11,085
	909,017

**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 16

**Post-employment benefits**

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

**Other long-term benefits**

These amounts represent long service benefits accruing during the year.

**Related Parties**

**The Council'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 Council*

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

*iii. Joint venture entities accounted for under the equity method*

The SMRC is a joint venture arrangement between five local governments (member Councils) formed under the Local Government Act 1995 and an Establishment Agreement. Member Councils pay contributions towards services it receives from the SMRC and contributes towards loan repayments for the assets purchased for these services.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

**30 RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with related parties**

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

The following transactions occurred with related parties:

**2017**

**\$**

**Associated entities/individuals:**

**Joint venture entities:**

Member Council Contributions and Gate Fees Received	21,562,545
Member Council Contributions for Loan Repayments Received	2,742,049
Paid to Member Councils	77,210

**Amounts outstanding from related parties:**

Trade and other receivables	2,043,842
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**Amounts payable to related parties:**

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.



SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

31 INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-16	New / Rollover Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 17
			Budget	Actual	Budget	Actual	
<b>Community Amenities</b>							
<b>RRRC</b>							
Loan No. 3-28	276,187	0	16,355	16,355	49,127	49,127	227,060
Loan No. 3-31	566,433	0	33,641	33,641	566,432	566,433	0
Loan No. 3-33	536,304	0	32,234	32,234	95,555	95,555	440,749
Loan No. 3-52	698,963	0	32,664	32,664	698,963	698,963	0
Loan No. 3-66	1,666,044	0	111,502	111,502	195,963	195,963	1,470,081
Loan No. 3-67	661,892	0	42,402	42,402	78,577	78,577	583,315
Loan No. 3-68	647,630	0	42,366	42,366	76,566	76,566	571,064
Loan No. 3-73	675,826	0	34,797	34,797	83,527	83,527	592,299
Loan No. 3-74	2,576,548	0	132,662	132,662	318,442	318,442	2,258,106
Loan No. 3-76	776,344	0	34,652	34,652	98,113	98,113	678,231
Loan No. 3-80	1,181,111	0	52,252	52,252	162,521	162,521	1,018,590
Loan No. 3-81	2,081,854	0	92,099	92,099	286,463	286,463	1,795,391
Loan No. 3-83	873,262	0	38,839	38,839	110,419	110,419	762,843
Loan No. 3-85	1,301,081	0	62,707	62,707	162,444	162,444	1,138,637
Loan No. 3-87	1,011,373	0	42,301	42,301	128,938	128,938	882,435
Loan No. 3-89	1,740,495	0	63,556	63,556	225,720	225,720	1,514,775
Loan No. 3-90	1,336,197	0	49,213	49,213	173,288	173,288	1,162,909
Loan No. 3-91	676,900	0	10,648	10,648	676,900	676,900	0
Loan No. 3-92	1,622,798	0	25,528	25,528	1,622,799	1,622,798	0
Loan No. 3-93	2,272,661	0	58,460	58,460	2,272,660	2,272,661	0
Loan No. 3-94 (3-91)		632,368	8,139	8,639	45,688	45,688	586,680
Loan No. 3-95 (3-92)		1,516,038	19,705	20,596	109,539	109,531	1,406,507
Loan No. 3-96 (3-31)		465,732	0	9	0	0	465,732
Loan No. 3-97 (3-93)		1,967,193	0	38	0	0	1,967,193
<b>Office Accommodation</b>							
Loan No. 2-5	1,800,000	0	79,920	79,920	0	0	1,800,000
	24,979,903	4,581,331	1,116,642	1,118,080	8,238,644	8,238,637	21,322,597
Add: Accrued Interest			0	(505)			
Net Interest			1,116,642	1,117,575			
Less: Rollover of Loans		(4,581,331)			(4,581,325)	(4,581,331)	
Net Borrowings / Repayments		0			3,657,319	3,657,306	

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**31 INFORMATION ON BORROWINGS (Continued)**

**(b) New / Rollover of Borrowings**

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Budget	Actual						Budget	Actual	
<b>Community Amenities</b>	\$	\$						\$	\$	\$
<b>RRRC Project</b>										
Loan No. 3.94 (Rollover)	632,368	632,368	WATC	Debenture	1.00	12,380	2.07%	632,368	632,368	0
Loan No. 3.95 (Rollover)	1,516,038	1,516,038	WATC	Debenture	1.00	29,680	2.07%	1,516,038	1,516,038	0
Loan No. 3.96 (Rollover)	465,732	465,732	WATC	Debenture	6.00	36,797	2.47%	465,732	465,732	0
Loan No. 3.97 (Rollover)	1,967,187	1,967,193	WATC	Debenture	1.00	36,644	1.98%	1,967,187	1,967,193	0
	4,581,325	4,581,331				115,501		4,581,325	4,581,331	0

**(c) Unspent Loans**

An amount of \$ Nil (2016- Nil) remained unspent out of the amount borrowed on the reporting date and is shown as a part of restricted cash.

**(d) Overdraft**

Council does not have an overdraft facility with its bankers.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**32 FINANCIAL RISK MANAGEMENT**

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017 \$	2016 \$	2017 \$	2016 \$
<b>Financial Assets</b>				
Cash and cash equivalents	11,573,051	10,077,036	11,573,051	10,077,036
Receivables	24,495,886	28,263,409	24,497,405	30,122,621
	<u>36,068,937</u>	<u>38,340,445</u>	<u>36,070,456</u>	<u>40,199,657</u>
<b>Financial Liabilities</b>				
Payables	5,093,153	3,788,121	5,093,153	3,788,121
Borrowings	21,322,597	24,979,903	21,324,116	26,839,115
	<u>26,415,750</u>	<u>28,768,024</u>	<u>26,417,269</u>	<u>30,627,236</u>

Fair value is determined as follows:

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

**(a) Cash and Cash Equivalents**

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

Cash is subject to interest rate risk – the risk that movements in interest rates could affect returns. Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by investing its funds with recognised Australian Banks.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**32 FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents (Continued)**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% (*) movement in interest rates on cash and cash equivalents		
- Equity	119,109	93,583
- Income Statement	119,109	93,583

**Notes:**

(\*) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen large market movements for certain types of investments.

**(b) Receivables**

Council's major receivables comprise gate fees, sale of materials and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The Council has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial loss from defaults.

The Council makes suitable provision for doubtful receivables as required.

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

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

	<b>2017</b>	<b>2016</b>
Percentage of Receivables		
- Current	94.34%	91.04%
- Overdue	5.66%	8.96%

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**32 FINANCIAL RISK MANAGEMENT (continued)**

**( c ) Payables and Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2017</u></b>					
Payables	5,093,153	0	0	5,093,153	5,093,153
Borrowings	10,932,827	10,940,270	2,153,780	24,026,877	21,322,597
	<u>16,025,980</u>	<u>10,940,270</u>	<u>2,153,780</u>	<u>29,120,030</u>	<u>26,415,750</u>
<b><u>2016</u></b>					
Payables	3,788,121	0	0	3,788,121	3,788,121
Borrowings	9,159,477	14,638,458	4,271,877	28,069,812	24,979,903
	<u>12,947,598</u>	<u>14,638,458</u>	<u>4,271,877</u>	<u>31,857,933</u>	<u>28,768,024</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**32 FINANCIAL RISK MANAGEMENT (continued)**

**(d) Payables and Borrowings (continued)**

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>2017</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	8,028,583	1,024,063	0	0	0	12,269,951	21,322,597	4.60%
Weighted Average Effective Interest Rate	4.28%	6.54%				4.64%		
<b><u>2016</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	5,837,755	4,389,861	1,198,196	0	0	13,554,091	24,979,903	4.77%
Weighted Average Effective Interest Rate	3.75%	5.87%	6.54%			4.69%		

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN METROPOLITAN REGIONAL COUNCIL

### Report on the Financial Report

#### Opinion

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

In our opinion, the financial report of Southern Metropolitan Regional Council is in accordance with the underlying records of the Council, including:

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

#### Basis for Opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – Supplementary Ratio Information

Without modifying our opinion, we draw attention to page 41 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

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

## **Other Information**

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

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

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

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

## **Council's Responsibility for the Financial Report**

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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



- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

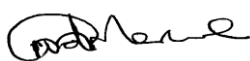
### **Reporting on Other Legal and Regulatory Requirements**

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

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

- a) Apart from the operating surplus ratio, debt service cover ratio and asset sustainability ratio, that do not meet the minimum benchmark, there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.
- b) The Council substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE

Director

Perth

Date: 16 August 2017

**SOUTHERN METROPOLITAN REGIONAL COUNCIL**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**SUPPLEMENTARY RATIO INFORMATION**

The following information relates to those ratios which only require attestation that they have been checked and are supported by verifiable information.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Asset Consumption Ratio	0.89	0.80	0.79
Asset Renewal Funding Ratio	1.00	1.00	1.00

The above ratios are calculated as follows:

Asset Consumption Ratio  $\frac{\text{Depreciated Replacement Cost of Assets}}{\text{Current Replacement Cost of Depreciated Assets}}$

Asset Renewal Funding Ratio  $\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$