

SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Morawa being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire of Morawa at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the

17th

day of

October

2016



John Roberts
Chief Executive Officer

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

| | NOTE | 2016 \$ | 2016 Budget \$ | 2015 \$ |
|---|------|-------------------------|-------------------------|--------------------------|
| Revenue | | | | |
| Rates | 22 | 1,450,696 | 1,547,652 | 1,543,760 |
| Operating grants, subsidies and contributions | 29 | 2,243,040 | 1,101,808 | 2,604,667 |
| Fees and charges | 28 | 735,323 | 946,821 | 770,523 |
| Interest earnings | 2(a) | 171,813 | 240,500 | 230,181 |
| Other revenue | 2(a) | 202,664 | 106,032 | 378,659 |
| | | <u>4,803,536</u> | <u>3,942,813</u> | <u>5,527,790</u> |
| Expenses | | | | |
| Employee costs | | (1,965,357) | (1,681,451) | (1,822,047) |
| Materials and contracts | | (2,302,155) | (1,799,709) | (3,941,305) |
| Utility charges | | (292,392) | (390,138) | (266,242) |
| Depreciation on non-current assets | 2(a) | (1,511,998) | (1,386,877) | (1,406,099) |
| Interest expenses | 2(a) | (20,945) | (15,460) | (18,262) |
| Insurance expenses | | (214,099) | (190,362) | (250,384) |
| Other expenditure | | (142,062) | (583,398) | (109,250) |
| | | <u>(6,449,008)</u> | <u>(6,047,395)</u> | <u>(7,813,589)</u> |
| | | (1,645,472) | (2,104,582) | (2,285,799) |
| Non-operating grants, subsidies and contributions | 29 | 1,291,028 | 5,518,686 | 1,250,290 |
| Profit on asset disposals | 20 | 0 | 0 | 3,636 |
| (Loss) on asset disposals | 20 | (74,790) | (40,944) | (101,325) |
| Net result | | (429,234) | 3,373,160 | (1,133,198) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 12 | (1,654) | 0 | 20,414,411 |
| Total other comprehensive income | | (1,654) | 0 | 20,414,411 |
| Total comprehensive income | | <u>(430,888)</u> | <u>3,373,160</u> | <u>19,281,213</u> |

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

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

| | NOTE | 2016 \$ | 2016 Budget \$ | 2015 \$ |
|---|------|--------------------|----------------------|--------------------|
| Revenue | | | | |
| Governance | | 379 | 8,510 | 3,914 |
| General purpose funding | | 2,375,239 | 2,532,930 | 4,102,157 |
| Law, order, public safety | | 47,692 | 44,420 | 45,841 |
| Health | | 59,064 | 8,000 | 4,759 |
| Education and welfare | | 17,905 | 48,600 | 62,813 |
| Housing | | 46,856 | 122,901 | 48,270 |
| Community amenities | | 538,402 | 597,267 | 430,274 |
| Recreation and culture | | 55,653 | 35,531 | 79,924 |
| Transport | | 1,358,121 | 242,138 | 457,461 |
| Economic services | | 210,929 | 209,899 | 181,693 |
| Other property and services | | 93,296 | 92,617 | 110,684 |
| | | <u>4,803,536</u> | <u>3,942,813</u> | <u>5,527,790</u> |
| Expenses | | | | |
| Governance | | (453,942) | (499,849) | (427,808) |
| General purpose funding | | (193,155) | (193,557) | (178,137) |
| Law, order, public safety | | (147,445) | (148,151) | (125,997) |
| Health | | (260,507) | (211,940) | (205,675) |
| Education and welfare | | (285,792) | (769,575) | (233,474) |
| Housing | | (100,213) | (156,904) | (94,460) |
| Community amenities | | (482,500) | (515,784) | (439,885) |
| Recreation and culture | | (1,107,713) | (1,088,407) | (1,213,729) |
| Transport | | (2,818,922) | (1,798,836) | (1,667,605) |
| Economic services | | (538,733) | (627,851) | (3,311,506) |
| Other property and services | | (39,141) | (21,081) | 102,949 |
| | | <u>(6,428,063)</u> | <u>(6,031,935)</u> | <u>(7,795,327)</u> |
| Finance costs | | | | |
| Housing | | (20,945) | (15,460) | (18,262) |
| | | <u>(20,945)</u> | <u>(15,460)</u> | <u>(18,262)</u> |
| | | (1,645,472) | (2,104,582) | (2,285,799) |
| Non-operating grants, subsidies and contributions | 29 | 1,291,028 | 5,518,686 | 1,250,290 |
| Profit on disposal of assets | 20 | 0 | 0 | 3,636 |
| (Loss) on disposal of assets | 20 | (74,790) | (40,944) | (101,325) |
| Net result | | (429,234) | 3,373,160 | (1,133,198) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 12 | (1,654) | 0 | 20,414,411 |
| Total other comprehensive income | | (1,654) | 0 | 20,414,411 |
| Total comprehensive income | | (430,888) | 3,373,160 | 19,281,213 |

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

**SHIRE OF MORAWA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

| | NOTE | 2016 \$ | 2015 \$ |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 6,412,609 | 7,914,726 |
| Trade and other receivables | 4 | 1,392,544 | 651,232 |
| Inventories | 5 | 1,335 | 10,124 |
| TOTAL CURRENT ASSETS | | <u>7,806,488</u> | <u>8,576,082</u> |
| NON-CURRENT ASSETS | | | |
| Other receivables | 4 | 13,935 | 11,064 |
| Property, plant and equipment | 6 | 26,518,884 | 26,804,568 |
| Infrastructure | 7 | 43,097,334 | 42,014,172 |
| TOTAL NON-CURRENT ASSETS | | <u>69,630,153</u> | <u>68,829,804</u> |
| TOTAL ASSETS | | <u>77,436,641</u> | <u>77,405,886</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | 358,161 | 223,063 |
| Current portion of long term borrowings | 9 | 66,743 | 70,783 |
| Provisions | 10 | 345,401 | 299,061 |
| TOTAL CURRENT LIABILITIES | | <u>770,305</u> | <u>592,907</u> |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 9 | 452,596 | 175,178 |
| Provisions | 10 | 37,661 | 30,834 |
| TOTAL NON-CURRENT LIABILITIES | | <u>490,257</u> | <u>206,012</u> |
| TOTAL LIABILITIES | | <u>1,260,562</u> | <u>798,919</u> |
| NET ASSETS | | <u>76,176,079</u> | <u>76,606,967</u> |
| EQUITY | | | |
| Retained surplus | | 32,872,289 | 32,782,099 |
| Reserves - cash backed | 11 | 6,308,522 | 6,827,946 |
| Revaluation surplus | 12 | 36,995,268 | 36,996,922 |
| TOTAL EQUITY | | <u>76,176,079</u> | <u>76,606,967</u> |

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

**SHIRE OF MORAWA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

| | NOTE | RETAINED SURPLUS \$ | RESERVES CASH BACKED \$ | REVALUATION SURPLUS \$ | TOTAL EQUITY \$ |
|-----------------------------------|------|---------------------------|----------------------------------|------------------------------|--------------------------|
| Balance as at 1 July 2014 | | 31,622,984 | 9,120,259 | 16,582,511 | 57,325,754 |
| Comprehensive income | | | | | |
| Net result | | (1,133,198) | 0 | 0 | (1,133,198) |
| Changes on revaluation of assets | 12 | <u>0</u> | <u>0</u> | <u>20,414,411</u> | <u>20,414,411</u> |
| Total comprehensive income | | (1,133,198) | 0 | 20,414,411 | 19,281,213 |
| Transfers from/(to) reserves | | 2,292,313 | (2,292,313) | 0 | 0 |
| | | <u>2,292,313</u> | <u>(2,292,313)</u> | <u>0</u> | <u>0</u> |
| Balance as at 30 June 2015 | | 32,782,099 | 6,827,946 | 36,996,922 | 76,606,967 |
| Comprehensive income | | | | | |
| Net result | | (429,234) | 0 | 0 | (429,234) |
| Changes on revaluation of assets | 12 | <u>0</u> | <u>0</u> | <u>(1,654)</u> | <u>(1,654)</u> |
| Total comprehensive income | | (429,234) | 0 | (1,654) | (430,888) |
| Transfers from/(to) reserves | | 519,424 | (519,424) | 0 | 0 |
| | | <u>519,424</u> | <u>(519,424)</u> | <u>0</u> | <u>0</u> |
| Balance as at 30 June 2016 | | <u>32,872,289</u> | <u>6,308,522</u> | <u>36,995,268</u> | <u>76,176,079</u> |

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

**SHIRE OF MORAWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

| | NOTE | 2016 Actual \$ | 2016 Budget \$ | 2015 Actual \$ |
|---|-------|-------------------------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Rates | | 1,316,278 | 1,599,657 | 1,475,384 |
| Operating grants, subsidies and contributions | | 1,631,293 | 1,175,308 | 2,362,331 |
| Fees and charges | | 720,825 | 976,932 | 778,442 |
| Interest earnings | | 177,037 | 240,500 | 230,181 |
| Goods and services tax | | 371,974 | 465,000 | 449,559 |
| Other revenue | | 206,410 | 106,032 | 400,566 |
| | | <u>4,423,817</u> | <u>4,563,429</u> | <u>5,696,463</u> |
| Payments | | | | |
| Employee costs | | (1,931,790) | (1,653,447) | (1,839,115) |
| Materials and contracts | | (2,137,801) | (1,712,451) | (3,932,278) |
| Utility charges | | (292,392) | (378,933) | (266,242) |
| Interest expenses | | (21,812) | (190,362) | (250,384) |
| Insurance expenses | | (214,099) | (11,960) | (19,556) |
| Goods and services tax | | (364,464) | (422,520) | (521,081) |
| Other expenditure | | (142,062) | (580,609) | (109,250) |
| | | <u>(5,104,420)</u> | <u>(4,950,282)</u> | <u>(6,937,906)</u> |
| Net cash provided by (used in) operating activities | 13(b) | <u>(680,603)</u> | <u>(386,853)</u> | <u>(1,241,443)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for purchase of property, plant & equipment | | (570,399) | (1,850,466) | (432,910) |
| Payments for construction of infrastructure | | (1,851,430) | (6,035,993) | (1,327,686) |
| Non-operating grants, subsidies and contributions | | 1,291,028 | 5,518,686 | 1,250,290 |
| Proceeds from sale of fixed assets | | 35,909 | 77,091 | 16,363 |
| Net cash provided by (used in) investment activities | | <u>(1,094,892)</u> | <u>(2,290,682)</u> | <u>(493,943)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of debentures | | (76,622) | (70,783) | (66,467) |
| Proceeds from new debentures | | 350,000 | 0 | 0 |
| Net cash provided by (used in) financing activities | | <u>273,378</u> | <u>(70,783)</u> | <u>(66,467)</u> |
| Net increase (decrease) in cash held | | (1,502,117) | (2,748,318) | (1,801,853) |
| Cash at beginning of year | | 7,914,726 | 7,915,790 | 9,716,579 |
| Cash and cash equivalents at the end of the year | 13(a) | <u><u>6,412,609</u></u> | <u><u>5,167,472</u></u> | <u><u>7,914,726</u></u> |

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

**SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

| NOTE | 2016 Actual \$ | 2016 Budget \$ | 2015 Actual \$ |
|--|-------------------------------|-------------------------------|---------------------------|
| Net current assets at start of financial year - surplus/(deficit) | <u>1,502,728</u> 1,502,728 | <u>1,401,033</u> 1,401,033 | <u>606,654</u> 606,654 |
| Revenue from operating activities (excluding rates) | | | |
| Governance | 379 | 8,510 | 3,914 |
| General purpose funding | 838,629 | 989,602 | 2,558,397 |
| Law, order, public safety | 47,692 | 44,420 | 45,841 |
| Health | 59,064 | 8,000 | 4,759 |
| Education and welfare | 17,905 | 48,600 | 62,813 |
| Housing | 46,856 | 122,901 | 48,270 |
| Community amenities | 538,402 | 597,267 | 430,274 |
| Recreation and culture | 55,653 | 35,531 | 79,924 |
| Transport | 1,358,121 | 242,138 | 457,461 |
| Economic services | 210,929 | 209,899 | 181,693 |
| Other property and services | 93,296 | 92,617 | 114,320 |
| | <u>3,266,926</u> | <u>2,399,485</u> | <u>3,987,666</u> |
| Expenditure from operating activities | | | |
| Governance | (453,942) | (499,849) | (427,808) |
| General purpose funding | (193,155) | (193,557) | (178,137) |
| Law, order, public safety | (147,445) | (148,151) | (125,997) |
| Health | (274,928) | (226,949) | (205,675) |
| Education and welfare | (285,792) | (769,575) | (233,474) |
| Housing | (121,158) | (172,364) | (112,722) |
| Community amenities | (482,500) | (515,784) | (439,885) |
| Recreation and culture | (1,155,380) | (1,088,407) | (1,213,729) |
| Transport | (2,818,922) | (1,816,974) | (1,712,179) |
| Economic services | (538,733) | (627,851) | (3,311,506) |
| Other property and services | (51,843) | (28,878) | 46,198 |
| | <u>(6,523,798)</u> | <u>(6,088,339)</u> | <u>(7,914,914)</u> |
| Operating activities excluded from budget | | | |
| (Profit) on disposal of assets | 20 | 0 | (3,636) |
| Loss on disposal of assets | 20 | 74,790 | 101,325 |
| Movement in deferred pensioner rates (non-current) | | (2,871) | 0 |
| Movement in employee benefit provisions (non-current) | | 6,827 | 0 |
| Movement in LSL Reserve (Added Back) | | 9,936 | 0 |
| Depreciation and amortisation on assets | 2(a) | 1,511,998 | 1,386,877 |
| Amount attributable to operating activities | | <u>(153,464)</u> | <u>(860,000)</u> |
| INVESTING ACTIVITIES | | | |
| Non-operating grants, subsidies and contributions | | 1,291,028 | 5,518,686 |
| Proceeds from disposal of assets | 20 | 35,909 | 77,091 |
| Purchase of property, plant and equipment | 6(b) | (570,399) | (1,850,466) |
| Purchase and construction of infrastructure | 7(b) | (1,851,430) | (6,035,993) |
| Amount attributable to investing activities | | <u>(1,094,892)</u> | <u>(2,290,682)</u> |
| FINANCING ACTIVITIES | | | |
| Repayment of debentures | 21(a) | (76,622) | (70,783) |
| Proceeds from new debentures | 21(a) | 350,000 | 0 |
| Transfers to reserves (restricted assets) | 11 | (618,320) | (709,511) |
| Transfers from reserves (restricted assets) | 11 | 1,137,744 | 2,387,648 |
| Amount attributable to financing activities | | <u>792,802</u> | <u>1,607,354</u> |
| Surplus(deficiency) before general rates | | <u>(455,554)</u> | <u>(1,543,328)</u> |
| Total amount raised from general rates | 22 | <u>1,536,610</u> | <u>1,543,328</u> |
| Net current assets at June 30 c/fwd - surplus/(deficit) | 23 | <u><u>1,081,056</u></u> | <u><u>0</u></u> |
| | | <u><u>1,502,728</u></u> | <u><u>606,654</u></u> |

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent revenue experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Council determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and infrastructure. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

The local government reporting entity

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Shire commenced the process of adopting Fair Value in accordance with the Regulations.

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

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

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

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under roads

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

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

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

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

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

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation (Continued)

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

| | |
|--------------------------|-----------------|
| Buildings | 40 to 100 years |
| Furniture and Equipment | 5 to 10 years |
| Plant and Equipment | 5 to 15 years |
| Sealed roads and streets | |
| clearing and earthworks | not depreciated |
| construction/road base | 40 years |
| original surfacing and | |
| major re-surfacing | |
| - bituminous seals | 20 years |
| Gravel roads | |
| clearing and earthworks | not depreciated |
| construction/road base | 40 years |
| gravel sheet | 12 years |
| Formed roads (unsealed) | |
| clearing and earthworks | not depreciated |
| construction/road base | 50 years |
| Footpaths - slab | 50 years |
| Drainage | 50 years |
| Other Infrastructure | 10 to 50 years |
| Parks and Ovals | 50 years |
| Airfields | 50 years |

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

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

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

Capitalisation threshold

Expenditure under the thresholds listed below is not capitalised. Rather, it is recorded on an asset inventory listing.

| | |
|-------------------------|----------------------------|
| - Land | Nil (All Land Capitalised) |
| - Buildings | 5,000 |
| - Plant & Equipment | 5,000 |
| - Furniture & Equipment | 5,000 |
| - Infrastructure | 5,000 |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

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

(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 Shire, are classified as finance leases.

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

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Revenue

Rates, Grants, Donations and Other Contributions

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

Control of non operating grants arises when the Shire can benefit from funds transferred to it and deny or regulate the access of others to those benefits. Therefore, control arises when the Shire can use funds granted or transferred to purchase goods and services or retain those funds for future purchases.

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

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

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue (Continued)

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors

Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

(r) Superannuation

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

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. 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 Shire.

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

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|--|-------------------|---------------------------|---|
| (i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8) | December 2014 | 1 January 2018 | Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect. |
| (ii) AASB 15 Revenue from Contracts with Customers | December 2014 | 1 January 2017 | <p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p> |
| (iii) AASB 16 Leases | February 2016 | 1 January 2019 | <p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability 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.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p> |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| | Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|------|--|--------------------------|----------------------------------|--|
| (iv) | AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11] | August 2014 | 1 January 2016 | <p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p> |
| (v) | AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138] | August 2014 | 1 January 2016 | <p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p> |
| (vi) | AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 | December 2014 | 1 January 2017 | <p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p> |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|--|-------------------|---------------------------|--|
| (vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049] | January 2015 | 1 January 2016 | <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p> |
| (viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049] | March 2015 | 1 July 2016 | <p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p> |

Notes:

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

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| 2. REVENUE AND EXPENSES | 2016 | 2015 | |
|--|------------------|------------------|----------------|
| | \$ | \$ | |
| (a) Net Result | | | |
| The Net result includes: | | | |
| (i) Charging as an expense: | | | |
| Auditors remuneration | | | |
| - Audit by RSM - Final | 12,050 | 7,403 | |
| - Audit by RSM - Interim | 4,992 | 0 | |
| - Other Services by RSM | 1,000 | 0 | |
| - Audit by Moore Stephens | 0 | 16,990 | |
| - Other Services by Moore Stephens | 14,220 | 10,800 | |
| Depreciation | | | |
| Buildings - non specialised | 87,559 | 78,849 | |
| Buildings - specialised | 372,884 | 362,895 | |
| Furniture and equipment | 4,307 | 23,709 | |
| Plant and equipment | 278,980 | 284,353 | |
| Infrastructure - roads | 498,889 | 508,081 | |
| Infrastructure - footpaths | 20,983 | 10,485 | |
| Infrastructure - drainage | 0 | 1,356 | |
| Infrastructure - parks and ovals | 7,769 | 7,770 | |
| Infrastructure - Sewerage | 73,550 | 40,755 | |
| Infrastructure - Airfields | 12,500 | 12,500 | |
| Infrastructure - Dams | 36,340 | 2,588 | |
| Infrastructure - Playground Equipment | 5,300 | 5,300 | |
| Infrastructure - Other | 112,937 | 67,458 | |
| | <u>1,511,998</u> | <u>1,406,099</u> | |
| Interest expenses (finance costs) | | | |
| Debentures (refer Note 21 (a)) | 20,945 | 18,262 | |
| | <u>20,945</u> | <u>18,262</u> | |
| Other revenue | | | |
| Reimbursements and recoveries | 130,109 | 325,631 | |
| Other | 72,555 | 53,028 | |
| | <u>202,664</u> | <u>378,659</u> | |
| | <u>1,511,998</u> | <u>1,406,099</u> | |
| | 2016 | 2016 | 2015 |
| | Actual | Budget | Actual |
| | \$ | \$ | \$ |
| Interest earnings | | | |
| - Reserve funds | 117,632 | 200,000 | 178,741 |
| - Other funds | 17,630 | 10,000 | 22,609 |
| Other interest revenue (refer note 27) | 36,551 | 30,500 | 28,831 |
| | <u>171,813</u> | <u>240,500</u> | <u>230,181</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

A VISION FOR MORAWA

MORAWA IS 'BREAKING NEW GROUND'

Our vision is for Morawa to become the future regional centre of the North Midlands, the primary industry hub of the mid-west and a **centre of excellence in research, education and training**.

It will be recognised as a welcoming, safe and attractive town with resourceful and colourful personalities. As a **proud and inclusive** community, our people will remain faithful to the rural values and lifestyle whilst embracing Morawa's rewarding career prospects and exceptional health and social facilities and quality, affordable housing.

Morawa will entice our youth to building futures in the town, for our elderly to age in place, and encourage city dwellers and transient workers to contemplate Morawa as a future home for their families.

Morawa's re-energised town centre and inviting mainstreet will signal a return to the golden days with commercial and retail businesses run by locals, and community organisations operating alongside government agencies supporting the health and well-being of the region.

Our heritage buildings will come to life through contemporary social and cultural festivities year round. Careful management will ensure Morawa's **well utilised recreational facilities** remain the lifeblood of the community, complemented by a network of natural open spaces for people all ages to enjoy.

Sustained by the town's agricultural, mining and energy industries as well as the diverse education and training opportunities; **Morawa's economy will remain strong**. Our people will be employed by spirited, **ground breaking** and progressive businesses, whilst new partnerships will attract investment and enhance Morawa's growth.

As the innovation hub of the North Midlands, Morawa will also service, and be serviced by, a network of self-supporting satellite communities. An efficient bus network and quality roads will be used by students, workers, elderly, tourist, farmers, miners and other residents between Morawa and the surrounding towns.

Strong and committed partnerships with our neighbouring towns, coupled with friendly 'country town rivalries' will bind us with our neighbours and position the North Midlands district as a strategic and formidable West Australian region.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

GOVERNANCE

Objective:

To provide a management & administrative structure to service Council & the community.

Activities:

Includes members of Council, Civic Functions & Public Relations, Council Elections, Training/Education.

GENERAL PURPOSE FUNDING

Objective:

To manage Council's finances.

Activities:

Includes Rates, Loans, Investments & Grants.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Emergency Services & Animal Control.

HEALTH

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Environmental Health, Medical & Health facilities.

EDUCATION AND WELFARE

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Education, Welfare & Children's Services.

HOUSING

Objective:

To ensure quality housing and appropriate infrastructure is maintained.

Activities:

Includes Staff & Other Housing.

COMMUNITY AMENITIES

Objective:

To provide, develop & manage services in response to community needs.

Activities:

Includes Refuse Collection, Sewerage, Cemetery, Building Control, Town Planning & Townscape.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

RECREATION AND CULTURE

Objective:

To ensure the recreational & cultural needs of the community are met.

Activities:

Includes Pools, Halls, Library, Oval, Parks & Gardens & Recreational Facilities.

TRANSPORT

Objective:

To effectively manage transport infrastructure.

Activities:

Includes Roads, Footpaths, Private Works, Machine Operating Costs, Outside Wages & Airstrip.

ECONOMIC SERVICES

Objective:

To foster economic development, tourism & rural services in the district.

Activities:

Includes Tourism, Rural Services, Economic Development & Caravan Park.

OTHER PROPERTY & SERVICES

Objective:

To provide control accounts and reporting facilities for all other operations.

Activities:

Includes Private Works, Public Works Overheads, Plant Operating Costs, Administration Overheads and Unclassified Items.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

| Grant/Contribution | Function/ Activity | Opening Balance ⁽¹⁾ 1/07/14 \$ | Received ⁽²⁾ 2014/15 \$ | Expended ⁽³⁾ 2014/15 \$ | Closing Balance ⁽¹⁾ 30/06/15 \$ | Received ⁽²⁾ 2015/16 \$ | Expended ⁽³⁾ 2015/16 \$ | Closing Balance 30/06/16 \$ |
|---|-----------------------|--|--|--|---|--|--|--------------------------------------|
| Roads to Recovery - Auslink | Transport | 0 | 270,965 | (220,291) | 50,674 | 734,282 | (424,297) | 360,659 |
| Morawa Community Trust | Economic Services | 8,963 * | 1,981 | 0 | 10,944 * | 53,861 | (10,100) | 54,705 * |
| Water Corporation - Revegetation Funds | Other Prop & Services | 10,000 * | 0 | 0 | 10,000 * | 2,358 | 0 | 12,358 * |
| Midwest Sinosteel - Morawa Future Funds | Economic Services | 925,000 * | 0 | 0 | 925,000 * | 0 | 0 | 925,000 * |
| Midwest Corp - Road Funds | Economic Services | 244,234 * | 0 | 0 | 244,234 * | 0 | 0 | 244,234 * |
| Royalties For Regions 11/12 Local - Refuse Transfer Station | Community Amenities | 170,883 * | 25,214 | 0 | 196,097 * | 0 | (69,578) | 126,519 * @ |
| Karara Mining - Art Show & Exhibition | Recreation & Culture | 20,000 | 0 | (20,000) | 0 | | | 0 |
| Super Towns - North Midlands Solar Thermal Power Project | Economic Services | 528,654 * | 11,482 | 0 | 540,136 * | 10,551 | 0 | 550,687 * |
| RDL - Super Towns - Morawa Revitalisation | Economic Services | 1,694,377 * | 31,030 | (1,217,563) | 507,844 * | | (359,047) | 148,797 * @ |
| MWIP - Super Towns - Morawa Revitalisation | Economic Services | 1,980,855 | 112,607 | (1,980,855) | 112,607 * | 27,898 | (100,000) | 40,505 * @ |
| Dept of Planning - Local Planning Strategy | Community Amenities | 18,280 | 0 | (13,360) | 4,920 | 85,000 | (89,920) | 0 |
| Dept of Planning - Urban Design Funding | Community Amenities | 5,187 | 0 | (4,983) | 204 | 0 | (204) | 0 |
| Dept of Planning - Omnibus Scheme Amendments | Community Amenities | 15,182 | 0 | (12,603) | 2,579 | 0 | (2,579) | 0 |
| Lotterywest - Old Council Chambers | Governance | 0 | 5,985 | 0 | 5,985 | 84,974 | (90,959) | 0 |
| Dept of Culture & Arts - Cloud Chasing | Education & Welfare | 0 | 27,275 | 0 | 27,275 * | 0 | (23,293) | 3,982 * |
| Royalties For Regions 12/13 Local - Swimming Pool | Recreation & Culture | 0 | 358,578 | (190,973) | 167,605 | 0 | (167,605) | 0 |
| Dept of Sport & Recreation - Swimming Pool | Recreation & Culture | 0 | 57,429 | 0 | 57,429 | 172,287 | (229,716) | 0 |
| Dept of Sport & Recreation - Swimming Pool | Recreation & Culture | 0 | 0 | 0 | 0 | 32,000 | 0 | 32,000 |
| Main Roads - Roadwise Safety Strategic Plan | Other Culture | 0 | 0 | 0 | 0 | 6,900 | 0 | 6,900 |
| Sinosteel - Wildflower Trails Project | Economic Services | 0 | 0 | 0 | 0 | 30,000 | 0 | 30,000 |
| Total | | <u>5,621,615</u> | <u>902,546</u> | <u>(3,660,628)</u> | <u>2,863,533</u> | <u>1,240,111</u> | <u>(1,567,298)</u> | <u>2,536,346</u> |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.
- (*) - All or part of these unspent contributions were held in reserve funds at the end of June.
- (@) - At 30 June 2016 the Shire had committed this funding for use in accordance with the funding agreement.

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Disclosed as follows: | | |
| - Restricted Cash (Note 3) | 429,559 | 626,832 |
| - Unspent Grants and Contributions Reserve (Note 11) | 56,845 | 149,882 |
| - Morawa Community Trust Reserve (Note 11) | 54,705 | 10,944 |
| - Morawa Community Future Funds Reserve (Note 11) | 1,169,234 | 1,169,234 |
| - Refuse Transfer Station Reserve (Note 11) | 126,519 | 196,097 |
| - Super Towns - North Midlands Solar Thermal Power Reserve (Note 11) | 550,687 | 540,136 |
| - Super Towns - Morawa Revitalisation Reserve (Note 11) | 148,797 | 170,408 |
| | <u>2,536,346</u> | <u>2,863,533</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| | Note | 2016 \$ | 2015 \$ |
|-------------------------------------|------|-------------------------|-------------------------|
| 3. CASH AND CASH EQUIVALENTS | | | |
| Cash on Hand - Unrestricted | | 550 | 550 |
| Cash at Bank - Municipal | | 103,537 | 1,086,230 |
| Restricted - Reserves | | <u>6,308,522</u> | <u>6,827,946</u> |
| | | <u><u>6,412,609</u></u> | <u><u>7,914,726</u></u> |
| | | | |
| Cash at Bank - Municipal | | | |
| Unrestricted Cash | | (326,022) | 459,398 |
| Restricted Cash | | <u>429,559</u> | <u>626,832</u> |
| | | <u><u>103,537</u></u> | <u><u>1,086,230</u></u> |

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

| | | | |
|---|----|------------------|------------------|
| Leave reserve | 11 | 286,652 | 276,716 |
| Plant reserve | 11 | 941,344 | 840,201 |
| Building reserve | 11 | 79,045 | 5,153 |
| Economic Development Reserve | 11 | 108,035 | 106,142 |
| Community Development Reserve | 11 | 1,376,593 | 1,372,142 |
| Sewerage Reserve | 11 | 144,602 | 121,894 |
| Unspent Grants and Contributions Reserve | 11 | 92,743 | 982,918 |
| Morawa Community Trust Reserve | 11 | 54,705 | 10,944 |
| Morawa Community Future Funds Reserve | 11 | 2,140,600 | 2,155,811 |
| Refuse Transfer Station Reserve | 11 | 134,515 | 196,097 |
| Aged Care Units Reserve | 11 | 9,025 | 8,867 |
| ST-N/Midlands Solar Thermal Power Reserve | 11 | # 550,687 | 540,136 |
| ST-Morawa Revitalisation Reserve | 11 | # 173,736 | 170,408 |
| Business Units | 11 | 61,240 | 40,517 |
| Legal Fees Reserve | 11 | 15,000 | 0 |
| Road Reserve | 11 | 140,000 | 0 |
| | | <u>6,308,522</u> | <u>6,827,946</u> |

- Funds relating to these reserves are held in an overnight cash deposit facility with the West Australian Treasury Corporation. Access to these funds requires two authorised signatories from the Department of Regional Development and Lands before being released to the Shire.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| | Note | 2016 \$ | 2015 \$ |
|--|------|------------------|----------------|
| 4. TRADE AND OTHER RECEIVABLES | | | |
| Current | | | |
| Rates outstanding | | 374,377 | 242,859 |
| Sundry debtors | | 998,442 | 375,943 |
| GST receivable | | 25,501 | 33,011 |
| Provision of Doubtful Debts | | (15,595) | (15,624) |
| Other Current Debtors - Diesel Rebate & Accrued Interest | | 9,819 | 15,043 |
| | | <u>1,392,544</u> | <u>651,232</u> |
| Non-current | | | |
| Rates outstanding - pensioners | | 13,935 | 11,064 |
| | | <u>13,935</u> | <u>11,064</u> |

The ageing of the past due but not impaired receivables (Rates Outstanding and Sundry Debtors) are as follows:

| | | | |
|-----------------------|--|----------------|----------------|
| 0 to 3 months overdue | | 14,885 | 9,306 |
| 3 to 6 months overdue | | 1,354 | 3,520 |
| Over 6 months overdue | | 419,824 | 269,574 |
| | | <u>436,063</u> | <u>282,400</u> |

5. INVENTORIES

| | | | |
|--------------------|--|--------------|---------------|
| Current | | | |
| Fuel and materials | | 1,335 | 10,124 |
| | | <u>1,335</u> | <u>10,124</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| | 2016 \$ | 2015 \$ |
|---|--------------------|-------------------|
| 6 (a). PROPERTY, PLANT AND EQUIPMENT | | |
| Land and buildings | | |
| Land - freehold at: | | |
| - Independent Valuation 2014 - Level 2 | 1,765,500 | 1,790,000 |
| - Independent Valuation 2014 - Level 3 | <u>76,000</u> | <u>76,000</u> |
| | 1,841,500 | 1,866,000 |
| Land - vested in and under the control of Council at: | | |
| - Management Valuation 2014 - Level 3 | <u>505,885</u> | <u>505,885</u> |
| | 505,885 | 505,885 |
| | <u>2,347,385</u> | <u>2,371,885</u> |
| Buildings - non specialised at: | | |
| - Independent Valuation 2014 - Level 2 | 2,917,000 | 3,162,000 |
| - Additions after valuation - cost | 450,214 | 88,979 |
| Less: accumulated depreciation | <u>(243,143)</u> | <u>(169,401)</u> |
| | 3,124,071 | 3,081,578 |
| Buildings - specialised at: | | |
| - Independent Valuation 2014 - Level 3 | 17,465,000 | 17,481,000 |
| - Management Valuation 2014 - Level 3 | 71,406 | 71,406 |
| - Additions after valuation - cost | 2,290,573 | 2,188,658 |
| Less: accumulated depreciation | <u>(1,106,005)</u> | <u>(734,455)</u> |
| | 18,720,974 | 19,006,609 |
| | <u>21,845,045</u> | <u>22,088,187</u> |
| Total land and buildings | <u>24,192,430</u> | <u>24,460,072</u> |
| Furniture and equipment at: | | |
| - Management Valuation 2015 - Level 3 | 0 | 111,425 |
| - Independent Valuation 2016 - Level 2 | 49,300 | 0 |
| - Management Valuation 2016 - Level 2 | 10,159 | 0 |
| - Management Valuation 2016 - Level 3 | <u>35,091</u> | <u>0</u> |
| | 94,550 | 111,425 |
| Plant and equipment at: | | |
| - Independent Valuation 2013 - Level 2 | 0 | 2,250,209 |
| - Management Valuation 2013 - Level 2 | 0 | 103,767 |
| - Management Valuation 2013 - Level 3 | 0 | 138,440 |
| - Independent Valuation 2016 - Level 2 | 1,312,000 | 0 |
| - Management Valuation 2016 - Level 2 | 591,373 | 0 |
| - Management Valuation 2016 - Level 3 | 128,834 | 0 |
| - Additions after valuation - cost | 0 | 87,457 |
| Less accumulated depreciation | <u>0</u> | <u>(546,499)</u> |
| | 2,032,207 | 2,033,374 |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

| | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| 6 (a). PROPERTY, PLANT AND EQUIPMENT (Continued) | | |
| Works in Progress | 199,697 | 199,697 |
| | 199,697 | 199,697 |
| | 26,518,884 | 26,804,568 |

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

| | Balance at the Beginning of the Year \$ | Additions \$ | (Disposals) \$ | Revaluation Increments/ (Decrements) Transferred to Revaluation \$ | Revaluation (Losses)/ Reversals Through to Profit or Loss \$ | Impairment (Losses)/ Reversals \$ | Depreciation (Expense) \$ | Transfers \$ | Carrying Amount at the End of Year \$ |
|--|---|-----------------|-------------------|--|--|--|---------------------------------|-----------------|---|
| Land - freehold | 1,866,000 | 0 | 0 | (24,500) | 0 | 0 | 0 | 0 | 1,841,500 |
| Land - vested in and under the control of Council | 505,885 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 505,885 |
| Total land | 2,371,885 | 0 | 0 | (24,500) | 0 | 0 | 0 | 0 | 2,347,385 |
| Buildings - non specialised | 3,081,578 | 361,235 | 0 | (231,183) | 0 | 0 | (87,559) | 0 | 3,124,071 |
| Buildings - specialised | 19,006,609 | 101,916 | (14,667) | 0 | 0 | 0 | (372,884) | 0 | 18,720,974 |
| Total buildings | 22,088,187 | 463,151 | (14,667) | (231,183) | 0 | 0 | (460,443) | 0 | 21,845,045 |
| Total land and buildings | 24,460,072 | 463,151 | (14,667) | (255,683) | 0 | 0 | (460,443) | 0 | 24,192,430 |
| Furniture and equipment | 111,425 | 10,691 | 0 | (23,259) | 0 | 0 | (4,307) | 0 | 94,550 |
| Plant and equipment | 2,033,374 | 96,557 | (96,032) | 277,288 | 0 | 0 | (278,980) | 0 | 2,032,207 |
| Works in Progress | 199,697 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 199,697 |
| Total property, plant and equipment | 26,804,568 | 570,399 | (110,699) | (1,654) | 0 | 0 | (743,730) | 0 | 26,518,884 |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of valuation | Date of last Valuation | Inputs used |
|---|-----------------------------|--|--|-------------------------------|---|
| Land and buildings | | | | | |
| Land - freehold | 2 | Market approach using recent observable market data for similar properties | Independent registered valuers | June 2014 | Price per hectare |
| Land - freehold | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Independent registered valuers | June 2014 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Land - vested in and under the control of Council | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Management valuation | June 2014 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Buildings - non specialised | 2 | Market approach using recent observable market data for similar properties | Independent registered valuers | June 2014 | Price per square metre |
| Buildings - specialised | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Independent valuers and Management valuation | June 2014 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements (Continued)

Furniture and equipment

| | | | | | |
|------------------------------|---|---|--------------------------------|-----------|--|
| - Independent Valuation 2016 | 2 | Market approach using recent observable market data for similar items | Independent registered valuers | June 2016 | Price per item |
| - Management Valuation 2016 | 2 | Market approach using recent observable market data for similar items | Management valuation | June 2016 | Price per item |
| - Management Valuation 2016 | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2016 | Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Plant and equipment | | | | | |
| - Independent Valuation 2016 | 2 | Market approach using recent observable market data for similar items | Independent registered valuers | June 2016 | Price per item |
| - Management Valuation 2016 | 2 | Market approach using recent observable market data for similar items | Management valuation | June 2016 | Price per item |
| - Management Valuation 2016 | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2016 | Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| | 2016 | 2015 |
|--|---------------------|---------------------|
| | \$ | \$ |
| 7 (a). INFRASTRUCTURE | | |
| Infrastructure - roads | | |
| - Management Valuation 2015 - Level 3 | 56,477,482 | 56,477,482 |
| - Additions after valuation - cost | 1,017,688 | 0 |
| Less accumulated depreciation | <u>(24,525,048)</u> | <u>(24,026,159)</u> |
| | 32,970,122 | 32,451,323 |
| Infrastructure - footpaths | | |
| - Management Valuation 2015 - Level 3 | 1,049,165 | 1,049,165 |
| - Additions after valuation - cost | 2,075 | 0 |
| Less accumulated depreciation | <u>(648,156)</u> | <u>(627,173)</u> |
| | 403,084 | 421,992 |
| Infrastructure - parks and ovals | | |
| - Independent Valuation 2014 - Level 3 | 357,000 | 357,000 |
| - Additions after valuation - cost | 308,430 | 292,460 |
| Less accumulated depreciation | <u>(23,309)</u> | <u>(15,540)</u> |
| | 642,121 | 633,920 |
| Infrastructure - Sewerage | | |
| - Independent Valuation 2015 - Level 3 | 2,942,000 | 2,942,000 |
| - Additions after valuation - cost | 33,761 | 0 |
| Less accumulated depreciation | <u>(836,550)</u> | <u>(763,000)</u> |
| | 2,139,211 | 2,179,000 |
| Infrastructure - Airfields | | |
| - Independent Valuation 2014 - Level 3 | 625,000 | 625,000 |
| Less accumulated depreciation | <u>(37,500)</u> | <u>(25,000)</u> |
| | 587,500 | 600,000 |
| Infrastructure - Dams | | |
| - Independent Valuation 2015 - Level 3 | 1,817,000 | 1,817,000 |
| Less accumulated depreciation | <u>(1,185,040)</u> | <u>(1,148,700)</u> |
| | 631,960 | 668,300 |
| Infrastructure - Playground Equipment | | |
| - Independent Valuation 2014 - Level 3 | 53,000 | 53,000 |
| Less accumulated depreciation | <u>(15,900)</u> | <u>(10,600)</u> |
| | 37,100 | 42,400 |
| Infrastructure - Other | | |
| - Independent Valuation 2014 - Level 3 | 1,861,000 | 1,861,000 |
| - Management Valuation 2014 - Level 3 | 907,832 | 907,832 |
| - Additions after valuation - cost | 2,461,242 | 2,263,623 |
| Less accumulated depreciation | <u>(258,126)</u> | <u>(145,189)</u> |
| | 4,971,948 | 4,887,266 |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| 7 (a). INFRASTRUCTURE (Continued) | | |
| Works in Progress | 714,288 | 129,971 |
| | <u>43,097,334</u> | <u>42,014,172</u> |

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

| | Balance as at the Beginning of the Year | Additions | (Disposals) | Revaluation Increments/ (Decrements) Transferred to Revaluation | Revaluation (Loss)/ Reversal Transferred to Profit or Loss | Impairment (Losses)/ Reversals | Depreciation (Expense) | Transfers | Carrying Amount at the End of the Year |
|---------------------------------------|--|-------------------------|-----------------|--|---|--------------------------------------|---------------------------|-----------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Infrastructure - roads | 32,451,323 | 1,017,688 | 0 | 0 | 0 | 0 | (498,889) | 0 | 32,970,122 |
| Infrastructure - footpaths | 421,992 | 2,075 | 0 | 0 | 0 | 0 | (20,983) | 0 | 403,084 |
| Infrastructure - parks and ovals | 633,920 | 15,970 | 0 | 0 | 0 | 0 | (7,769) | 0 | 642,121 |
| Infrastructure - Sewerage | 2,179,000 | 33,761 | 0 | 0 | 0 | 0 | (73,550) | 0 | 2,139,211 |
| Infrastructure - Airfields | 600,000 | 0 | 0 | 0 | 0 | 0 | (12,500) | 0 | 587,500 |
| Infrastructure - Dams | 668,300 | 0 | 0 | 0 | 0 | 0 | (36,340) | 0 | 631,960 |
| Infrastructure - Playground Equipment | 42,400 | 0 | 0 | 0 | 0 | 0 | (5,300) | 0 | 37,100 |
| Infrastructure - Other | 4,887,266 | 197,619 | 0 | 0 | 0 | 0 | (112,937) | 0 | 4,971,948 |
| Work in Progress | 129,971 | 584,317 | 0 | 0 | 0 | 0 | 0 | 0 | 714,288 |
| Total infrastructure | <u>42,014,172</u> | <u>1,851,430</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(768,268)</u> | <u>0</u> | <u>43,097,334</u> |

SHIRE OF MORAWA
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7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of valuation | Date of last Valuation | Inputs used |
|--|----------------------|--|----------------------|------------------------|--|
| Infrastructure - roads | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2015 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - footpaths | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2015 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - parks and ovals | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2014 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Sewerage | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2015 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Airfields | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2014 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Dams | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2015 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Playground Equipment | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2014 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Other | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2014 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |

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

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

SHIRE OF MORAWA
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| | 2016 | 2015 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| 8. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Sundry Creditors | 250,490 | 112,291 |
| Accrued Interest on Debentures | 4,870 | 5,737 |
| Accrued Salaries and Wages | 38,370 | 61,334 |
| Accrued Expenditure | 6,025 | 2,661 |
| FBT Liability | 9,446 | 8,930 |
| PAYG Liability | 48,960 | 32,110 |
| | <u>358,161</u> | <u>223,063</u> |

9. LONG-TERM BORROWINGS

| | | |
|----------------------------|----------------|----------------|
| Current | | |
| Secured by floating charge | | |
| Debentures | 66,743 | 70,783 |
| | <u>66,743</u> | <u>70,783</u> |
| Non-current | | |
| Secured by floating charge | | |
| Debentures | 452,596 | 175,178 |
| | <u>452,596</u> | <u>175,178</u> |

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

| | Provision for Annual Leave \$ | Provision for Long Service Leave \$ | Total \$ |
|---------------------------------------|--|--|---------------------|
| Opening balance at 1 July 2015 | | | |
| Current provisions | 137,679 | 161,382 | 299,061 |
| Non-current provisions | 0 | 30,834 | 30,834 |
| | <u>137,679</u> | <u>192,216</u> | <u>329,895</u> |
| Additional provision | 3,089 | 50,078 | 53,167 |
| Balance at 30 June 2016 | <u>140,768</u> | <u>242,294</u> | <u>383,062</u> |
| Comprises | | | |
| Current | 140,768 | 204,633 | 345,401 |
| Non-current | 0 | 37,661 | 37,661 |
| | <u>140,768</u> | <u>242,294</u> | <u>383,062</u> |

SHIRE OF MORAWA
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11. RESERVES - CASH BACKED

| | Actual 2016 Opening Balance \$ | Actual 2016 Transfer to \$ | Actual 2016 Transfer (from) \$ | Actual 2016 Closing Balance \$ | Budget 2016 Opening Balance \$ | Budget 2016 Transfer to \$ | Budget 2016 Transfer (from) \$ | Budget 2016 Closing Balance \$ | Actual 2015 Opening Balance \$ | Actual 2015 Transfer to \$ | Actual 2015 Transfer (from) \$ | Actual 2015 Closing Balance \$ |
|---|--|-------------------------------------|--|--|--|-------------------------------------|--|--|--|-------------------------------------|--|--|
| Leave reserve | 276,716 | 9,936 | 0 | 286,652 | 276,716 | 63,104 | 0 | 339,820 | 216,594 | 60,122 | 0 | 276,716 |
| Plant reserve | 840,201 | 184,740 | (83,597) | 941,344 | 840,201 | 193,761 | (381,409) | 652,553 | 679,388 | 210,813 | (50,000) | 840,201 |
| Building reserve | 5,153 | 73,892 | 0 | 79,045 | 5,153 | 73,951 | 0 | 79,104 | 5,034 | 119 | 0 | 5,153 |
| Economic Development Reserve | 106,142 | 1,893 | 0 | 108,035 | 106,142 | 3,109 | 0 | 109,251 | 103,689 | 2,453 | 0 | 106,142 |
| Community Development Reserve | 1,372,142 | 24,451 | (20,000) | 1,376,593 | 1,372,142 | 40,183 | (245,026) | 1,167,299 | 1,461,097 | 34,560 | (123,515) | 1,372,142 |
| Sewerage Reserve | 121,894 | 22,708 | 0 | 144,602 | 121,894 | 40,127 | 0 | 162,021 | 77,862 | 44,032 | 0 | 121,894 |
| Unspent Grants and Contributions Reserve | 982,918 | 15,206 | (905,381) | 92,743 | 982,919 | 28,786 | (926,767) | 84,938 | 2,001,459 | 949,707 | (1,968,248) | 982,918 |
| Morawa Community Trust Reserve | 10,944 | 53,861 | (10,100) | 54,705 | 10,944 | 321 | (10,100) | 1,165 | 18,483 | 461 | (8,000) | 10,944 |
| Morawa Community Future Funds Reserve | 2,155,811 | 38,455 | (53,666) | 2,140,600 | 2,155,811 | 63,136 | (53,666) | 2,165,281 | 2,113,351 | 49,987 | (7,527) | 2,155,811 |
| Refuse Transfer Station Reserve | 196,097 | 3,418 | (65,000) | 134,515 | 196,097 | 5,743 | (95,000) | 106,840 | 191,566 | 4,531 | 0 | 196,097 |
| Aged Care Units Reserve | 8,867 | 158 | 0 | 9,025 | 8,867 | 260 | 0 | 9,127 | 8,662 | 205 | 0 | 8,867 |
| ST-N/Midlands Solar Thermal Power Reserve | 540,136 | 10,551 | 0 | 550,687 | 541,001 | 15,844 | (500,000) | 56,845 | 528,654 | 11,482 | 0 | 540,136 |
| ST-Morawa Revitalisation Reserve | 170,408 | 3,328 | 0 | 173,736 | 170,681 | 4,999 | (175,680) | 0 | 1,694,377 | 31,031 | (1,555,000) | 170,408 |
| Business Units | 40,517 | 20,723 | 0 | 61,240 | 40,517 | 21,187 | 0 | 61,704 | 20,043 | 20,474 | 0 | 40,517 |
| Legal Fees Reserve | 0 | 15,000 | 0 | 15,000 | 0 | 15,000 | 0 | 15,000 | 0 | 0 | 0 | 0 |
| Road Reserve | 0 | 140,000 | 0 | 140,000 | 0 | 140,000 | 0 | 140,000 | 0 | 0 | 0 | 0 |
| | <u>6,827,946</u> | <u>618,320</u> | <u>(1,137,744)</u> | <u>6,308,522</u> | <u>6,829,085</u> | <u>709,511</u> | <u>(2,387,648)</u> | <u>5,150,948</u> | <u>9,120,259</u> | <u>1,419,977</u> | <u>(3,712,290)</u> | <u>6,827,946</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.

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

| Name of Reseve | Anticipated date of use | Purpose of the reserve |
|---|-------------------------|---|
| Leave reserve | Ongoing | - to be used to fund leave requirements. |
| Plant reserve | Ongoing | - to be used to upgrade, replace or purchase new plant and equipment. |
| Building reserve | Ongoing | - to be used to refurbish, replace, extend or establish Council owned buildings. |
| Economic Development Reserve | Ongoing | - to be used to create economic development initiatives in the local community. |
| Community Development Reserve | Ongoing | - to be used for Community Projects within the Shire of Morawa |
| Sewerage Reserve | Ongoing | - to be used to repair, replace or extend the sewerage facility. |
| Unspent Grants and Contributions Reserve | Ongoing | - to be used as a quarantine for unspent committed funds. |
| Morawa Community Trust Reserve | Ongoing | - to be used for Morawa Community Projects |
| Morawa Community Future Funds Reserve | Ongoing | - to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum. |
| Refuse Transfer Station Reserve | Dec-16 | - to be used for Morawa Landfill closure and Refuse Transfer Station implementation project R4R funds 2011/12 |
| Aged Care Units Reserve | Ongoing | - to be used for the maintenance/ construction of Aged Care Units at the Morawa Perenjori Health Centre R4R Mid West Investment Plan |
| ST-N/Midlands Solar Thermal Power Reserve | Ongoing | - Super Town funds to be used for the N/Midlands Solar Thermal Power feasibility Study Project |
| ST-Morawa Revitalisation Reserve | Jun-17 | - Super Town funds to be used for the Morawa Town Revitalisation Project |
| Business Units | Ongoing | - to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units |
| Legal Fees Reserve | Ongoing | - to be utilised for unforeseen Legal Fees. |
| Road Reserve | Ongoing | - to be utilised for future Road Construction and Maintenance. |

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12. REVALUATION SURPLUS

| | 2016 | 2016 | 2016 | 2016 | 2016 | 2015 | 2015 | 2015 | 2015 | 2015 |
|---------------------------------------|-------------------|----------------|------------------|----------------|-------------------|-------------------|-------------------|-------------|-------------------|-------------------|
| | Opening | Revaluation | Revaluation | Total | Closing | Opening | Revaluation | Revaluation | Total | Closing |
| | Balance | Increment | Decrement | Movement on | Balance | Balance | Increment | Decrement | Movement on | Balance |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land and buildings | 14,238,714 | 0 | (255,683) | (255,683) | 13,983,031 | 14,238,714 | 0 | 0 | 0 | 14,238,714 |
| Furniture and equipment | 54,933 | 0 | (23,259) | (23,259) | 31,674 | 0 | 54,933 | 0 | 54,933 | 54,933 |
| Plant and equipment | 294,261 | 277,288 | 0 | 277,288 | 571,549 | 294,261 | 0 | 0 | 0 | 294,261 |
| Infrastructure - roads | 18,550,097 | 0 | 0 | 0 | 18,550,097 | 0 | 18,550,097 | 0 | 18,550,097 | 18,550,097 |
| Infrastructure - footpaths | 28,074 | 0 | 0 | 0 | 28,074 | 0 | 28,074 | 0 | 28,074 | 28,074 |
| Infrastructure - Sewerage | 1,204,296 | 0 | 0 | 0 | 1,204,296 | 0 | 1,204,296 | 0 | 1,204,296 | 1,204,296 |
| Infrastructure - Airfields | 312,142 | 0 | 0 | 0 | 312,142 | 312,142 | 0 | 0 | 0 | 312,142 |
| Infrastructure - Dams | 577,011 | 0 | 0 | 0 | 577,011 | 0 | 577,011 | 0 | 577,011 | 577,011 |
| Infrastructure - Playground Equipment | 15,470 | 0 | 0 | 0 | 15,470 | 15,470 | 0 | 0 | 0 | 15,470 |
| Infrastructure - Other | 1,721,924 | 0 | 0 | 0 | 1,721,924 | 1,721,924 | 0 | 0 | 0 | 1,721,924 |
| | <u>36,996,922</u> | <u>277,288</u> | <u>(278,942)</u> | <u>(1,654)</u> | <u>36,995,268</u> | <u>16,582,511</u> | <u>20,414,411</u> | <u>0</u> | <u>20,414,411</u> | <u>36,996,922</u> |

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

SHIRE OF MORAWA
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13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

| | 2016 | 2016 | 2015 |
|---------------------------|------------------|------------------|------------------|
| | \$ | Budget | \$ |
| | | \$ | |
| Cash and cash equivalents | 6,412,609 | 5,167,472 | 7,914,726 |
| | <u>6,412,609</u> | <u>5,167,472</u> | <u>7,914,726</u> |

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

| | | | |
|--|--------------------|--------------------|--------------------|
| Net result | (429,234) | 3,373,160 | (1,133,198) |
| Non-cash flows in Net result: | | | |
| Depreciation | 1,511,998 | 1,386,877 | 1,406,099 |
| (Profit)/Loss on sale of asset | 74,790 | 40,944 | 97,689 |
| Changes in assets and liabilities: | | | |
| (Increase)/Decrease in receivables | (744,183) | 170,616 | (313,897) |
| (Increase)/Decrease in inventories | 8,789 | 2,050 | 2,780 |
| Increase/(Decrease) in payables | 135,098 | 208,186 | (31,886) |
| Increase/(Decrease) in provisions | 53,167 | (50,000) | (18,740) |
| Grants contributions for the development of assets | <u>(1,291,028)</u> | <u>(5,518,686)</u> | <u>(1,250,290)</u> |
| Net cash from operating activities | <u>(680,603)</u> | <u>(386,853)</u> | <u>(1,241,443)</u> |

(c) Undrawn Borrowing Facilities Credit Standby Arrangements

| | 2016 | 2015 |
|--|----------------|----------------|
| | \$ | \$ |
| Bank overdraft limit | 800,000 | 0 |
| Bank overdraft at balance date | 0 | 0 |
| Credit card limit | 15,000 | 15,000 |
| Credit card balance at balance date | <u>(1,086)</u> | <u>(4,606)</u> |
| Total amount of credit unused | <u>813,914</u> | <u>10,394</u> |
| Loan facilities | | |
| Loan facilities - current | 66,743 | 70,783 |
| Loan facilities - non-current | <u>452,596</u> | <u>175,178</u> |
| Total facilities in use at balance date | <u>519,339</u> | <u>245,961</u> |
| Unused loan facilities at balance date | <u>NIL</u> | <u>NIL</u> |

**SHIRE OF MORAWA
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14. CONTINGENT LIABILITIES

The Shire of Morawa has in compliance with the Contaminated Sites Act 2003 section 11 listed sites to be possible sources of contamination:

- The Shire of Morawa Works Depot. Reserve 36276
- The Shire of Morawa Landfill site (existing) Reserve 20087
- The Shire of Morawa Waste Water Treatment Plant Reserve 37310
- The Shire of Morawa Landfill site (Canna) UCL east of Reserve 18321
- The Shire of Morawa Landfill site (Gutha) Reserve 17830

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the DER the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites. The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the DER guidelines.

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |

(a) Operating Lease Commitments

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

(b) Capital Expenditure Commitments

| | | |
|--------------------------------|---|---------|
| Contracted for: | | |
| - capital expenditure projects | 0 | 518,527 |
| Payable: | | |
| - not later than one year | 0 | 518,527 |

The capital expenditure project outstanding amount of \$518,527 at the end of the previous reporting period is for the upgrade of the Aquatic Facilities in Morawa.

Capital expenditure commitment figures above are excluding GST.

The Shire did not have any future capital expenditure commitments at the reporting date, except for the restrictions imposed by regulations and other externally imposed requirements disclosed in Note 3.

SHIRE OF MORAWA
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16. JOINT VENTURE ARRANGEMENTS

The Shire of Morawa has participated in a joint venture with Homeswest for the construction of 2 - 1 bedroom and 1 - 2 bedroom units in Dreghorn Street, Morawa. The provision of this housing aims to provide accommodation for single persons. The Shire of Morawa has a 2% interest in the assets and liabilities of this joint venture. All revenue and expenses of the joint venture are recognised in the relevant financial statements of Council.

| | 2016 | 2015 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| Non-current assets | | |
| Land and buildings | 5,500 | 5,500 |
| Less: accumulated depreciation | (282) | (188) |
| | <u>5,218</u> | <u>5,312</u> |

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2016 | 2015 |
|-----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Governance | 679,525 | 959,478 |
| General purpose funding | 388,312 | 1,041,415 |
| Law, order, public safety | 336,364 | 240,812 |
| Health | 729,836 | 739,268 |
| Education and welfare | 460,811 | 504,481 |
| Housing | 3,330,239 | 3,285,984 |
| Community amenities | 3,084,113 | 3,101,632 |
| Recreation and culture | 13,849,630 | 13,809,764 |
| Transport | 36,010,081 | 35,360,809 |
| Economic services | 11,165,737 | 11,503,353 |
| Other property and services | 3,341,616 | 3,462,789 |
| Unallocated | 4,060,377 | 3,396,101 |
| | <u>77,436,641</u> | <u>77,405,886</u> |

SHIRE OF MORAWA
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| 18. FINANCIAL RATIOS | 2016 | 2015 | 2014 |
|-----------------------------------|-------------|-------------|-------------|
| Current ratio | 2.21 | 3.55 | 2.17 |
| Asset sustainability ratio | 0.99 | 0.89 | 1.24 |
| Debt service cover ratio | (1.92) | (11.32) | (0.18) |
| Operating surplus ratio | (0.67) | (0.81) | (0.49) |
| Own source revenue coverage ratio | 0.39 | 0.37 | 0.55 |

The above ratios are calculated as follows:

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

Notes:

(a) Information relating to the **Asset Consumption Ratio** and **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 63 of this document.

(b) For 2016,

The Debt Service Cover and Operating Surplus ratios disclosed above were distorted by the change to the payment of FAGs during the year ended 30 June 2016 which saw the advance payment of the first quarter of the following year cease. This created a timing difference which resulted in an amount of some \$787,492 less revenue for the year.

(c) For 2015,

The Debt Service Cover and the Operating Surplus ratios as disclosed above were distorted by an item of revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAG's) of \$787,492 which was received prior to year-end.

(d) For 2014,

The Debt Service Cover and Operating Surplus ratios disclosed above were distorted by the change to the payment of FAGs during the year ended 30 June 2014 which saw the advance payment of the first quarter of the following year cease. This created a timing difference which resulted in an amount of some \$733,976 less revenue for the year.

Items (b) to (d) mentioned above are considered "one-off" timing/non cash in nature and, if they are ignored, the calculations disclosed in the columns above would be as follows:

| | 2016 | 2015 | 2014 |
|--------------------------|-------------|-------------|-------------|
| Debt Service Cover Ratio | 6.15 | (20.61) | 8.48 |
| Operating Surplus Ratio | (0.36) | (1.08) | (0.28) |

SHIRE OF MORAWA
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19. TRUST FUNDS

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

| | 1 July 2015 \$ | Amounts Received \$ | Amounts Paid (\$) | 30 June 2016 \$ |
|-----------------------------|----------------------|---------------------------|-------------------------|-----------------------|
| Housing Bonds | 0 | 2,498 | 0 | 2,498 |
| Youth Centre | 865 | 0 | 0 | 865 |
| Council Nominations | 0 | 320 | (320) | 0 |
| Haulmore Trailers Land Dep | 4,641 | 0 | 0 | 4,641 |
| Local Drug Action Group | 561 | 100 | 0 | 661 |
| BCITF/BRB Training Levy | 2,886 | 364 | (2,823) | 427 |
| Morawa Oval Function Centre | 1,762 | 0 | 0 | 1,762 |
| | <u>10,715</u> | | | <u>10,854</u> |

20. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

| <u>By Program</u> | Actual Net Book Value \$ | Actual Sale Proceeds \$ | Actual Profit \$ | Actual Loss \$ | Budget Net Book Value \$ | Budget Sale Proceeds \$ | Budget Profit \$ | Budget Loss \$ |
|---|-----------------------------------|----------------------------------|------------------------|----------------------|-----------------------------------|----------------------------------|------------------------|----------------------|
| Health | | | | | | | | |
| (Asset 364) Ford FG G6 Sedan (Doctors) | 19,421 | 5,000 | 0 | (14,421) | 24,100 | 9,091 | 0 | (15,009) |
| Recreation and culture | | | | | | | | |
| (Asset 489) Pool Plant Room | 14,667 | 0 | 0 | (14,667) | 0 | 0 | 0 | 0 |
| Asset 368) SBS Digital Transmitter | 33,000 | 0 | 0 | (33,000) | 0 | 0 | 0 | 0 |
| Transport | | | | | | | | |
| (Asset 272) Case Backhoe - P192 | 0 | 0 | 0 | 0 | 46,300 | 35,000 | 0 | (11,300) |
| (Asset 476) Works Supervisor Vehicle | 0 | 0 | 0 | 0 | 28,838 | 22,000 | 0 | (6,838) |
| Other property and services | | | | | | | | |
| (Asset 476) Ford Falcon Sedan - MAF | 14,554 | 6,364 | 0 | (8,190) | 18,797 | 11,000 | 0 | (7,797) |
| (Asset 475) Toyota Hilux 4 x 4 Inspector | 21,275 | 20,000 | 0 | (1,275) | 0 | 0 | 0 | 0 |
| (Asset 343) Mitsubishi Outlander LS Auto (| 7,782 | 4,545 | 0 | (3,237) | 0 | 0 | 0 | 0 |
| | <u>110,699</u> | <u>35,909</u> | <u>0</u> | <u>(74,790)</u> | <u>118,035</u> | <u>77,091</u> | <u>0</u> | <u>(40,944)</u> |

| <u>By Class</u> | Actual Net Book Value \$ | Actual Sale Proceeds \$ | Actual Profit \$ | Actual Loss \$ | Budget Net Book Value \$ | Budget Sale Proceeds \$ | Budget Profit \$ | Budget Loss \$ |
|---|-----------------------------------|----------------------------------|------------------------|----------------------|-----------------------------------|----------------------------------|------------------------|----------------------|
| Land & Buildings | | | | | | | | |
| (Asset 489) Pool Plant Room | 14,667 | 0 | 0 | (14,667) | 0 | 0 | 0 | 0 |
| Plant & Equipment | | | | | | | | |
| (Asset 364) Ford FG G6 Sedan (Doctors) | 19,421 | 5,000 | 0 | (14,421) | 24,100 | 9,091 | 0 | (15,009) |
| Asset 368) SBS Digital Transmitter | 33,000 | 0 | 0 | (33,000) | 0 | 0 | 0 | 0 |
| (Asset 272) Case Backhoe - P192 | 0 | 0 | 0 | 0 | 46,300 | 35,000 | 0 | (11,300) |
| (Asset 476) Works Supervisor Vehicle | 0 | 0 | 0 | 0 | 28,838 | 22,000 | 0 | (6,838) |
| (Asset 476) Ford Falcon Sedan - MAF | 14,554 | 6,364 | 0 | (8,190) | 18,797 | 11,000 | 0 | (7,797) |
| (Asset 475) Toyota Hilux 4 x 4 Inspector | 21,275 | 20,000 | 0 | (1,275) | 0 | 0 | 0 | 0 |
| (Asset 343) Mitsubishi Outlander LS Auto (| 7,782 | 4,545 | 0 | (3,237) | 0 | 0 | 0 | 0 |
| | <u>110,699</u> | <u>35,909</u> | <u>0</u> | <u>(74,790)</u> | <u>118,035</u> | <u>77,091</u> | <u>0</u> | <u>(40,944)</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

| Particulars | Principal 1 July 2015 \$ | New Loans \$ | Principal Repayments | | Principal 30 June 2016 | | Interest Repayments | |
|-----------------------------|-----------------------------------|--------------------|-------------------------|--------------|---------------------------|--------------|------------------------|--------------|
| | | | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Housing | | | | | | | | |
| Loan 133 - GEHA House | 132,581 | 0 | 29,967 | 29,967 | 102,614 | 102,614 | 7,982 | 8,337 |
| Loan 134 - 2 Broad Street | 93,943 | 0 | 21,379 | 21,379 | 72,564 | 72,564 | 4,762 | 6,118 |
| Loan 135 - Staff Housing | 19,437 | 0 | 19,437 | 19,437 | 0 | 0 | 806 | 1,005 |
| Loan 136 - 24 Harley Street | 0 | 350,000 | 5,839 | 0 | 344,161 | 0 | 7,395 | 0 |
| | 245,961 | 350,000 | 76,622 | 70,783 | 519,339 | 175,178 | 20,945 | 15,460 |

All other loan repayments were financed by general purpose revenue.

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

| Particulars/Purpose | Amount Borrowed | | Institution | Loan Type | Term (Years) | Total Interest & Charges \$ | Interest Rate % | Amount Used | | Balance Unspent \$ |
|------------------------------------|-----------------|-----------|-------------|-----------|--------------|-----------------------------|-----------------|-------------|-----------|--------------------|
| | Actual \$ | Budget \$ | | | | | | Actual \$ | Budget \$ | |
| Loan 136 - 24 Harley Street | 350,000 | 0 | WATC | Debenture | 20 | 158,644 | 3.93% | 350,000 | 0 | 0 |
| | 350,000 | 0 | | | | 158,644 | | 350,000 | 0 | 0 |

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

Council established a temporary overdraft facility in June 2016 of \$800,000 with Bankwest bank to assist with short term liquidity requirements. The physical balance of the bank overdraft at the bank as at 30 June 2016 was \$Nil.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR

| RATE TYPE | Rate in \$ | Number of Properties | Rateable Value \$ | Rate Revenue \$ | Interim Rates \$ | Back Rates \$ | Total Revenue \$ | Budget Rate Revenue \$ | Budget Interim Rate \$ | Budget Back Rate \$ | Budget Total Revenue \$ |
|---|-------------------|----------------------|-------------------|------------------|------------------|---------------|------------------|------------------------|------------------------|---------------------|-------------------------|
| Differential general rate / general rate | | | | | | | | | | | |
| Gross rental value valuations | | | | | | | | | | | |
| GRV Residential/Commercial | 0.07199 | 267 | 2,899,072 | 208,698 | 0 | 0 | 208,698 | 208,698 | 0 | 0 | 208,698 |
| Unimproved value valuations | | | | | | | | | | | |
| UV Rural | 0.02192 | 208 | 56,190,000 | 1,231,536 | 1,076 | 0 | 1,232,612 | 1,231,525 | 0 | 0 | 1,231,525 |
| UV Mining | 0.28968 | 17 | 455,557 | 131,966 | | 0 | 131,966 | 137,401 | 0 | 0 | 137,401 |
| Sub-Total | | 492 | 59,544,629 | 1,572,201 | 1,076 | 0 | 1,573,277 | 1,577,624 | 0 | 0 | 1,577,624 |
| Minimum payment | Minimum \$ | | | | | | | | | | |
| Gross rental value valuations | | | | | | | | | | | |
| GRV Residential/Commercial | 271 | 50 | 40,840 | 13,558 | 0 | 0 | 13,558 | 13,550 | 0 | 0 | 13,550 |
| Unimproved value valuations | | | | | | | | | | | |
| UV Rural | 271 | 6 | 48,000 | 1,627 | 0 | 0 | 1,627 | 1,626 | 0 | 0 | 1,626 |
| UV Mining | 656 | 12 | 11,145 | 7,872 | 0 | 0 | 7,872 | 8,528 | 0 | 0 | 8,528 |
| Sub-Total | | 68 | 99,985 | 23,056 | 0 | 0 | 23,056 | 23,704 | 0 | 0 | 23,704 |
| | | 560 | 59,644,614 | 1,595,257 | 1,076 | 0 | 1,596,333 | 1,601,328 | 0 | 0 | 1,601,328 |
| Discounts/concessions (refer note 26) | | | | | | | (59,723) | | | | (58,000) |
| Total amount raised from general rate | | | | | | | 1,536,610 | | | | 1,543,328 |
| Specified Area Rate (refer note 24) | | | | | | | 0 | | | | 0 |
| Ex-gratia rates | | | | | | | 5,624 | | | | 5,624 |
| Rates Written Off | | | | | | | (10,750) | | | | (1,300) |
| Movement in Excess Rates | | | | | | | (80,788) | | | | 0 |
| Totals | | | | | | | 1,450,696 | | | | 1,547,652 |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

23. NET CURRENT ASSETS

Composition of net current assets

| | 2016 (30 June 2016 Carried Forward) \$ | 2016 (1 July 2015 Brought Forward) \$ | 2015 (30 June 2015 Carried Forward) \$ |
|--|--|---|--|
| Surplus/(Deficit) 1 July 15 brought forward | <u>1,081,056</u> | <u>1,502,728</u> | <u>1,502,728</u> |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | | |
| Unrestricted | (325,472) | 459,948 | 459,948 |
| Restricted | 6,738,081 | 7,454,778 | 7,454,778 |
| Receivables | | | |
| Rates outstanding | 374,377 | 242,859 | 242,859 |
| Sundry debtors | 998,442 | 375,943 | 375,943 |
| GST receivable | 25,501 | 33,011 | 33,011 |
| Provision of Doubtful Debts | (15,595) | (15,624) | (15,624) |
| Other Current Debtors - Diesel Rebate & Accured Ir | 9,819 | 15,043 | 15,043 |
| Inventories | | | |
| Fuel and materials | 1,335 | 10,124 | 10,124 |
| LESS: CURRENT LIABILITIES | | | |
| Trade and other payables | | | |
| Sundry Creditors | (250,490) | (112,291) | (112,291) |
| Accrued Interest on Debentures | (4,870) | (5,737) | (5,737) |
| Accrued Salaries and Wages | (38,370) | (61,334) | (61,334) |
| Accrued Expenditure | (6,025) | (2,661) | (2,661) |
| FBT Liability | (9,446) | (8,930) | (8,930) |
| PAYG Liability | (48,960) | (32,110) | (32,110) |
| Current portion of long term borrowings | | | |
| Secured by floating charge | (66,743) | (70,783) | (70,783) |
| Provisions | | | |
| Provision for annual leave | (140,768) | (137,679) | (137,679) |
| Provision for long service leave | (204,633) | (161,382) | (161,382) |
| Unadjusted net current assets | <u>7,036,183</u> | <u>7,983,175</u> | <u>7,983,175</u> |
| Adjustments | | | |
| Less: Reserves - restricted cash | (6,308,522) | (6,827,946) | (6,827,946) |
| Add: Secured by floating charge | 66,743 | 70,783 | 70,783 |
| Add Back : Component of Leave Liability not Required to be Funded | 286,652 | 276,716 | 276,716 |
| Adjusted net current assets - surplus/(deficit) | <u><u>1,081,056</u></u> | <u><u>1,502,728</u></u> | <u><u>1,502,728</u></u> |

Difference

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

24. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

No specified area rates were levied in the 2015/16 financial year.

25. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR**

Rates Discounts

| Rate or Fee Discount Granted | Discount % or \$ | Actual \$ | Budget \$ |
|---------------------------------|------------------------|--------------|--------------|
| Early Payment Discount | 5.00% | 59,723 | 58,000 |
| | | 59,723 | 58,000 |

Circumstances in which Discount is Granted

Payment of the full amount owing, including arrears is received on or before Tuesday 29 September 2015 or 35 days after the date of service appearing on the rate notice, whichever is the later.

Waivers or Concessions

| Rate or Fee and Charge to which the Waiver or Concession is Granted | Type | Discount % or \$ | Actual \$ | Budget \$ |
|--|-----------|------------------------|--------------|--------------|
| Rates assessment | Write-off | | 10,750 | 1,300 |
| | | | 10,750 | 1,300 |

27. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

| Instalment Options | Date Due | Instalment Plan Admin Charge \$ | Instalment Plan Interest Rate % | Unpaid Rates Interest Rate % |
|-----------------------------|-------------|--|--|---------------------------------------|
| Option One | | | | |
| Single full payment | 29-Sep-15 | | | 11.00% |
| Option Two | | | | |
| First Instalment | 29-Sep-15 | | | 11.00% |
| Second Instalment | 29-Jun-16 | 5 | 5.50% | 11.00% |
| Option Three | | | | |
| First Instalment | 29-Sep-15 | | | 11.00% |
| Second Instalment | 01-Dec-15 | 5 | 5.50% | 11.00% |
| Third Instalment | 29-Jan-16 | 5 | 5.50% | 11.00% |
| Fourth Instalment | 25-Mar-16 | 5 | 5.50% | 11.00% |
| | | | Revenue \$ | Budgeted Revenue \$ |
| Interest on unpaid rates | | | 33,526 | 28,000 |
| Interest on instalment plan | | | 3,025 | 2,500 |
| Charges on instalment plan | | | 930 | 1,500 |
| | | | 37,481 | 32,000 |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| 28. FEES & CHARGES | 2016 | 2015 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Governance | 143 | 27 |
| General purpose funding | 2,673 | 2,006 |
| Law, order, public safety | 3,694 | 2,122 |
| Health | 3,359 | 350 |
| Education and welfare | 0 | 3,303 |
| Housing | 45,056 | 45,778 |
| Community amenities | 450,343 | 429,820 |
| Recreation and culture | 37,267 | 79,709 |
| Transport | 427 | 7,211 |
| Economic services | 180,928 | 181,187 |
| Other property and services | 11,433 | 19,010 |
| | <u>735,323</u> | <u>770,523</u> |

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

29. GRANT REVENUE

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

| By Nature or Type: | 2016 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| | \$ | Budget | \$ |
| | | \$ | |
| Operating grants, subsidies and contributions | | | |
| Governance | 0 | 0 | 2,250 |
| General purpose funding | 749,603 | 740,758 | 2,325,710 |
| Law, order, public safety | 36,233 | 38,475 | 36,050 |
| Education and welfare | 17,724 | 45,600 | 57,466 |
| Community amenities | 88,059 | 85,000 | 0 |
| Recreation and culture | 9,418 | 0 | 0 |
| Transport | 1,312,003 | 191,975 | 183,191 |
| Economic services | 30,000 | 0 | 0 |
| | <u>2,243,040</u> | <u>1,101,808</u> | <u>2,604,667</u> |
| Non-operating grants, subsidies and contributions | | | |
| Governance | 84,974 | 90,959 | 5,985 |
| Health | 0 | 5,000 | 0 |
| Education and welfare | 0 | 400,000 | 0 |
| Community amenities | 0 | 1,350,000 | 0 |
| Recreation and culture | 205,105 | 228,945 | 446,007 |
| Transport | 1,000,949 | 2,936,782 | 698,298 |
| Economic services | 0 | 507,000 | 100,000 |
| | <u>1,291,028</u> | <u>5,518,686</u> | <u>1,250,290</u> |
| | <u>3,534,068</u> | <u>6,620,494</u> | <u>3,854,957</u> |

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

| | |
|-----------|-----------|
| <u>26</u> | <u>23</u> |
|-----------|-----------|

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

| 31. ELECTED MEMBERS REMUNERATION | 2016 | 2016 | 2015 |
|--|---------------|---------------|---------------|
| | \$ | Budget | \$ |
| | | \$ | \$ |
| The following fees, expenses and allowances were paid to council members and/or the president. | | | |
| Meeting Fees | 64,125 | 64,000 | 56,000 |
| President's allowance | 16,875 | 17,000 | 17,000 |
| Deputy President's allowance | 4,250 | 4,250 | 4,250 |
| Travelling expenses | 0 | 200 | 1,311 |
| | 85,250 | 85,450 | 78,561 |
| | 85,250 | 85,450 | 78,561 |

32. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2015/16 financial year.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

| | Carrying Value | | Fair Value | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 6,412,609 | 7,914,726 | 6,412,609 | 7,914,726 |
| Receivables | 1,406,479 | 662,296 | 1,406,479 | 662,296 |
| | <u>7,819,088</u> | <u>8,577,022</u> | <u>7,819,088</u> | <u>8,577,022</u> |
| Financial liabilities | | | | |
| Payables | 358,161 | 223,063 | 358,161 | 223,063 |
| Borrowings | 519,339 | 245,961 | 384,974 | 216,092 |
| | <u>877,500</u> | <u>469,024</u> | <u>743,135</u> | <u>439,155</u> |

Fair value is determined as follows:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash | | |
| - Equity | 75,154 | 87,483 |
| - Statement of Comprehensive Income | 75,154 | 87,493 |

Notes:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

| | 2016 | 2015 |
|--|-------------|-------------|
| Percentage of rates and annual charges | | |
| - Current | 0% | 0% |
| - Overdue | 100% | 100% |
| Percentage of other receivables | | |
| - Current | 93% | 89% |
| - Overdue | 7% | 11% |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

| | Due within 1 year \$ | Due between 1 & 5 years \$ | Due after 5 years \$ | Total contractual cash flows \$ | Carrying values \$ |
|--------------------|---|---|---|--|-----------------------------------|
| <u>2016</u> | | | | | |
| Payables | 358,161 | 0 | 0 | 358,161 | 358,161 |
| Borrowings | <u>91,024</u> | <u>232,911</u> | <u>368,767</u> | <u>692,702</u> | <u>519,339</u> |
| | <u><u>449,185</u></u> | <u><u>232,911</u></u> | <u><u>368,767</u></u> | <u><u>1,050,863</u></u> | <u><u>877,500</u></u> |
| <u>2015</u> | | | | | |
| Payables | 223,063 | 0 | 0 | 223,063 | 223,063 |
| Borrowings | <u>86,023</u> | <u>169,476</u> | <u>0</u> | <u>255,499</u> | <u>245,961</u> |
| | <u><u>309,086</u></u> | <u><u>169,476</u></u> | <u><u>0</u></u> | <u><u>478,562</u></u> | <u><u>469,024</u></u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

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

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

| | <u><1 year</u> | <u>>1<2 years</u> | <u>>2<3 years</u> | <u>>3<4 years</u> | <u>>4<5 years</u> | <u>>5 years</u> | <u>Total</u> | <u>Weighted Average Effective Interest Rate</u> |
|---|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|----------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| <u>Year ended 30 June 2016</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Debentures | 0 | 0 | 175,178 | 0 | 0 | 344,161 | 519,339 | 4.80% |
| | <u>0</u> | <u>0</u> | <u>175,178</u> | <u>0</u> | <u>0</u> | <u>344,161</u> | <u>519,339</u> | |
| Weighted average Effective interest rate | | | 6.51% | | | 3.93% | | |
| <u>Year ended 30 June 2015</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Debentures | 19,437 | 0 | 0 | 226,524 | 0 | 0 | 245,961 | 6.48% |
| Weighted average Effective interest rate | 6.20% | | | 6.51% | | | | |



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**INDEPENDENT AUDITOR'S REPORT
TO THE RATEPAYERS OF
SHIRE OF MORAWA**

Report on the financial report

We have audited the financial report of Shire of Morawa, which comprises the statement of financial position as at 30 June 2016 and the statements of comprehensive income, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date, the summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

Chief Executive Officer's responsibility for the financial report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. Those standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Local Government Act 1995* Part 6, the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of Shire of Morawa's financial position and of its performance.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

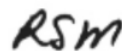
Auditor's opinion on the financial report

In our opinion, the financial report of Shire of Morawa:

- (i) Gives a true and fair view of the financial position of Shire of Morawa as at 30 June 2016 and of its financial performance for the year ended on that date;
- (ii) Complies with the *Local Government Act 1995* Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) In relation to the Supplementary Ratio Information presented in the financial report, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

Report on statutory compliance

We did not during the course of our audit become aware of any instances where Shire of Morawa did not comply with the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* as they relate to the financial report.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PTY LTD

A handwritten signature in black ink that reads 'David Wall'.

D J WALL
Director

Perth, WA
Dated: 17 October 2016

**SHIRE OF MORAWA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

RATIO INFORMATION

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

| | 2016 | 2015 | 2014 |
|-----------------------------|-------------|-------------|-------------|
| Asset consumption ratio | 0.52 | 0.52 | 0.50 |
| Asset renewal funding ratio | 0.67 | 0.60 | 0.581 |

The above ratios are calculated as follows:

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