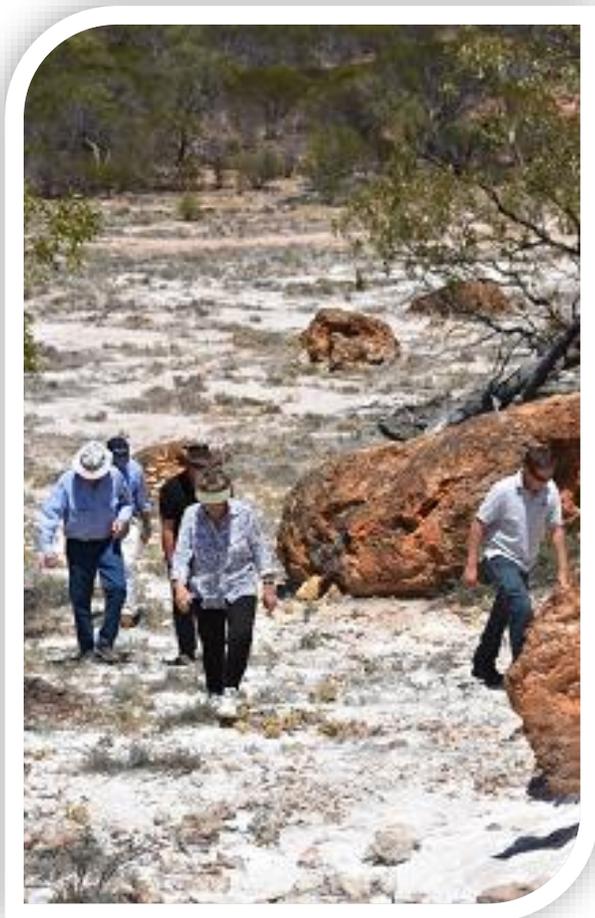




Shire of Morawa

2017/18 Annual Report and Financial Statements



*Elephant Rock Karara Rangelands
The Shire of Morawa is exploring
recreational opportunities at this
location*

*New Windmill at the northern entrance to
Morawa townsite.
Constructed by the Morawa Museum
Volunteers*



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President's Report 2017-2018



To the Ratepayers and Electors of the Morawa Shire, it is my pleasure to present the Shire of Morawa Annual Report for the financial year 2017-2018.

The local economy is mixed with broadacre cropping, mining, education and associated services providing most of the employment in the Shire. During 2017 a lack of rainfall resulted in a significant economic downturn in the agricultural sector. This has had a major impact on local farmers, businesses and families. We are looking forward to a better season in 2018.

Currently the 2018 wildflower season looks promising, with visitors coming into town early in the season. We will again be having Mr Allan Rice caretaking the caravan park in 2018 and value his work in promoting the Shire and assisting visitors to the park. I would like to thank the volunteers at the Morawa Visitors Centre and the Museum for enhancing the experience of visitors.

The Shire continues to support the provision of medical, dental and childcare services as part of its strategy to retain population and to make our community liveable.

Our investment in transport and sporting / recreation infrastructure continues to be a high priority. Council has a strong focus on the maintenance and renewal of roads and infrastructure to ensure that our major assets are kept at a standard appropriate for our community. A large proportion of our budget is spent in these areas, and this will only increase as the need for better transport infrastructure grows.

Council has invested in a study around population regeneration and plans to further investigate these opportunities in 2018. The Shire's Community Strategic Plan community consultation and planning has also been a large part of this year, thank you to everyone who participated in this process.

During the year the Heritage Trail and Bush trail were completed with the assistance of MEEDAC and their workers. We appreciate the assistance of MEEDAC and Shire staff in delivering these projects, which are the final projects funded by Royalties for Regions Program Morawa Revitalisation Grant, along with a contribution from Sinosteel.

Council has continued to support the local community, including the following:

- Scholarships for the MDHS and WA Agricultural College – Morawa.
- The Australia Day Community Citizen of the Year Awards was held the Morawa Pool on 26 January 2018.
- Banners in the Terrace as part of WALGA Local Government Week.
- Joint thank a Volunteer and new resident welcome function.
- The Tom O'Toole motivational speaking event.

Our Audit, conducted for the first time this year by the Office of the Auditor General (OAG), highlighted one focus area for the Shire. This focus area relates to the procurement of goods and services as per the Shire Policy, for example, getting the correct number of quotes and ensuring that all paper work is in order when payments are made. In previous Audits if this had been identified it had been commented on by the Auditor as a breach of Policy, as the LG Act 1995 requires a Council to have a Policy for purchases under \$150,000. The OAG have set their own interpretation on this part of the LG Act 1995, and the Local Government (Functions and General) Regulations 1996, now reporting any failure for a Shire to comply with its Purchasing Policy as being a non-compliant action. In our case we had instances where two quotes had not been received (or could not be found) or a Purchase Order had not been prepared. The Shire continues to work with all staff to ensure those with the responsibility for undertaking procurement are well trained and understand the requirements under our Policy as well as the LG Act and Regulations.

Thank you to all Councillors and Shire staff particularly former Acting CEO Mr Sean Fletcher and current CEO Mr Chris Linnell for their support and tireless hard work. On behalf of Council, we look forward to continuing the development and liveability of Morawa over the next 12 months.

Cr Karen Chappel JP
Shire President



Chief Executive Officer's Report 2017-2018



This year has been a productive one for the Shire with a focus on consolidation and the completion of a number of long term projects, as well as commencing planning for future projects.

Our emphasis continues to be on maximising the benefits of every dollar we spend to achieve operational efficiencies and consolidate initiatives from previous years.

For the first time the Office of the Auditor General (OAG) has been responsible for the Audit process (via the OAG's Independent auditors RSM Australia).

The Shire has worked hard to deliver on a number of commitments during the 2017-2018 financial year, including:

- ❖ Completion of the Heritage and Bush trails in time for the visitor season.
- ❖ The implementation of a Cultural Benchmarking Program.
- ❖ Completion of upgrade of water main in Yewers Avenue to connect aged persons units. Connection works will be completed in 2018-19.
- ❖ Ongoing support of medical, dental and childcare services in the Shire of Morawa.
- ❖ Worked with MEEDAC in the management of the refuse site and building the bush trail.
- ❖ Worked with MEEDAC and Karara Mining in conducting the business area cleanup.
- ❖ Commencement of flood damage works (WANDRRA funded) following the acceptance of tenders in December 2017. The damage was caused to roads by unseasonal rains in January and February 2017.
- ❖ Drainage improvements to Winfield Street.

We also commenced planning for a number of projects that have the potential to drive economic and social benefits into the future:

- ✓ Feasibility Study into a Trails Project in the Koolanooka Hills.
- ✓ Upgrade to the Morawa Tourism Park.
- ✓ Precinct Plan for the Old Shire Building and Town Hall.

We also held an extraordinary election during the year with Shirley Katona being elected to Council. I would like to thank Cr Thornton for his service to the Shire over his six years on Council.

During the year a road program was undertaken to maintain and improve the roads in the Shire. Funding for the roads program comes from Shire rates, the Department of Infrastructure, the Grants Commission and Main Roads. The roads program is where the

largest amount of Shire funds are expended, with a small team of workers dedicated to this.

Major Road Works Completed in 2017/2018

The Shire committed to a substantial road construction and maintenance program for the year. The major road construction and upgrade activities occurred on the following roads:

Rural:

| | |
|---------------------------------|-----------|
| ❖ Stephens Road | \$ 90,280 |
| ❖ Neates Road | \$ 39,447 |
| ❖ Morawa Three Springs Road | \$ 10,536 |
| ❖ Morawa Yalgoo Road | \$274,567 |
| ❖ Jones Lake Road | \$ 85,540 |
| ❖ Nanekine Road 15/16 carryover | \$366,848 |
| ❖ Gutha East Road | \$ 55,010 |
| ❖ Offszanka Road | \$ 86,805 |

Townsite:

| | |
|---------------------------------------|-----------|
| ❖ Prater Street | \$ 63,900 |
| ❖ Solomon Terrace | \$ 48,302 |
| ❖ Powell Street | \$ 2,888 |
| ❖ Neagle Manning Streets Intersection | \$ 42,314 |

Maintenance of Shire rural roads costing \$513,427 and maintenance of town streets costing \$42,816 was also completed during the year. Flood damage works under the WANDRRA program resulted in expenditure of \$1,578,416 during 2017/2018. A further \$2,379,334 will be expended in 2018/2019 to complete the works.

Acknowledgements

New staff commencing during 2017/2018 were Jenny Goodbourn – Executive Manager Corporate & Community Services, Ellie Cuthbert – Economic Development Manager, Paulette Lucken - Assets Officer, Jennifer Mutter - Finance Officer, Stevie Walley and Phillip Ward – Cleaners and we welcomed back Allan Rice – Caravan Park Caretaker (three month appointment).

I would also like to acknowledge the following staff who departed in 2017/2018 for their years of service to the Shire; Greg Speedy - General Hand, Darryl Armstrong - Plant Operator and Fred Gledhill – Executive Manager Corporate and Community Services.

I would like to express gratitude to the work done by Sean Fletcher as Acting CEO from July to November 2017 and thank him for ensuring I had a smooth transition into the role. Finally, I would like to take this opportunity to sincerely thank the Shire President and Councillors for their support over the year and the entire Shire staff for their effort and tireless dedication during the 2017-2018 year.

Chris Linnell
Chief Executive Officer



Disability Access and Inclusion Plan (DAIP)

Section 29 (2) of the *Disability Services Act* requires local governments to report about the implementation of the plan.

The plan was last revised in 2014 and progress toward outcomes was reviewed in May 2018.

DAIP Strategies

A review of progress with regard to the outcomes of the plan was submitted to the May 2018 ordinary meeting of Council for endorsement. This was then submitted to the Disability Services Commission within the required submission period.

The number of strategies listed in the outcomes in the DAIP have been reported as completed, but remain in the plan to provide a reminder of service delivery within the whole of the community.

Timeliness of these outcomes is addressed in the implementation table in section five (5) of the Plan.

The Shire of Morawa is committed to achieving the following outcomes.

Outcome 1

People with disability have the same opportunities as other people to access the services of, and any events organised by a public authority.

| Strategies |
|---|
| Ensure people with disability are provided with an opportunity to comment on access to services. |
| Make library technology as accessible as possible. |
| Council will ensure that any events are organised so that they are accessible to people with disability. |
| Council will ensure that all policies and practices that govern the operation of Council facilities, functions, and services are consistent with Council Policy regarding access. |

Outcome 2

People with disability have the same opportunities as other people to access the buildings and other facilities of a public authority.

| Strategies |
|---|
| Ensure all buildings and facilities are physically accessible to people with disability. |
| Ensure that all new or redevelopment works provide access to people with disability, where practicable. |
| Ensure adequate ACROD parking to meet the demand of people with disability in terms of quantity, quality, and location. |

| |
|---|
| Ensure that parks and reserves are accessible. |
| Ensure that public toilets meet the associated accessibility standards. |

Outcome 3

People with disability receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it.

| Strategies |
|---|
| Improve community awareness that Council information can be made available in alternative formats upon request, such as large print.. |
| Improve staff awareness of accessible information needs and how to obtain information in other formats. |
| Ensure that the Shires website meets contemporary and universal design practices. |

Outcome 4

People with disability receive the same level and quality of service from the staff of a public authority as other people receive from the staff of that public authority.

| Strategies |
|---|
| Improve staff awareness of disability and access issues and improve skills to provide good service to people with disability. |
| Improve the awareness of new staff and new Councilors about disability and access issues. |
| When required, Council will seek expert advice from the disability field on how to meet the access needs of people with disability. |

Outcome 5

People with disability have the same opportunities as other people to make complaints to a public authority.

| Strategies |
|---|
| Council will ensure that current grievance mechanisms are accessible for people with disability and are acted upon. |

Outcome 6

People with disability have the same opportunities as other people to participate in any public consultation by a public authority.

| Strategies |
|---|
| Improve community awareness about the consultation process in place. |
| Improve access for people with disability to the established consultative process of Council. |
| Seek broad range of views on disability and access issues from the local community. |
| Commit to ongoing monitoring of the DAIP to ensure implementation and |

satisfactory outcomes.

Outcome 7

People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.

| Strategies |
|--|
| Use inclusive recruitment practices. |
| Improve methods of attracting, recruiting and retaining people with disability |
| Work with key disability employment support provider(s) to employ a person with a disability |

Record Keeping Plan

The Shire of Morawa is committed to accessible and efficient record keeping practices and complies with relevant legislation including the *State Records Act 2000*.

The Shire established a Record Keeping Plan which was adopted by Council and submitted to the State Records Commission in 2006. Shire staff concluded a review of the plan from which the 2014 Recordkeeping Plan has been prepared.

The Records Management Procedures Manual is designed to adequately address all records management issues and identifies staff roles and responsibilities in the system.

A revision of the structure of the filing system was completed in 2016, and an electronic central records system is now in use.

Public Interest Disclosure

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

One of the principles of the Code is not just to provide protection to those who make disclosures (and those who are the subject of the disclosures) but also to encourage a system of transparency and accountability in the way government official's act and utilise public monies.

Matters that fall under the category of public interest include:

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

Matters that relate to the Shire of Morawa should be referred to the Shire of Morawa's



Public Interest Disclosure Officer. Disclosures to the Public Interest Disclosure Officer can be made not just about officers of the Shire of Morawa but also about its elected officials.

There is an obligation of the Public Interest Disclosure Officer in the Public Interest Disclosure Act to ensure that the disclosure is confidential and that the person making a disclosure is provided adequate protection from reprisals, civil and criminal liability or breach of confidentiality.

The Shire of Morawa had no Public Interest Disclosures in the reporting period.

Freedom of Information Act 1992

Section 96 of the Freedom of Information Act requires local governments to publish an Information Statement.

In summary, the Shire of Morawa's Statement indicates that the Shire of Morawa is responsible for the good governance of the Shire and carries out functions as required including statutory compliance and provision of services and facilities. There was one FOI request were received and responded to during the reporting period.

This information statement is published in accordance with section 96 of the *Freedom of Information Act 1992*.

During the reporting period there was one Freedom of Information request submitted.

Structure and Functions of Council

Establishment

The Shire of Morawa is established under the *Local Government Act 1995*, and has the responsibility for the administration of this Act within the district. Other major legislation which creates a duty or an authority for Council to act includes but is not limited to:

- ❖ *Health Act 1911*
- ❖ *Town Planning and Development Act 1928*
- ❖ *Bush Fires Act 1954*
- ❖ *Dog Act 1976*
- ❖ *Cemeteries Act 1986*
- ❖ *Building Act 2011*

Council

The Shire's affairs are governed by seven people elected from and by the community, who act in a voluntary capacity, and represent all sections of the community. The Council acts as a community board, establishing policies and making decisions within the requirements of the Local Government Act on a wide range of issues affecting the community, and in keeping with the legislative requirements to:



- Determine policies to be applied by Council in exercising its discretionary powers.
- Determine the type, range and scope of projects to be undertaken by the Shire.
- Develop comprehensive management plans, budgets, financial controls and performance objectives and indicators for the operations of the Shire.

The Council governs the Shires affairs including decisions regarding its activities and functions. Such decisions include the approval of services and facilities to be undertaken, and the allocation of resources to these services and facilities.

Decisions are also made to determine whether or not approvals are to be granted for applications for residential, commercial and industrial development.

Ordinary meetings of Council are held on the third Thursday of each month commencing at 5:30pm. All members of the public are welcome to attend. Minutes and agendas are available to the public via the Shire of Morawa website – www.morawa.wa.gov.au.

National Competition Policy

In 1995 the Council of Australian Government entered into a number of agreements known as the National Competition Policy. The Policy is a whole of government approach to bring about reform in the public sector to encourage government to become more competitive.

Local government will mainly be affected where it operates significant business activities (defined as one that generates an annual income from fees and charges exceeding \$200,000) that compete or could compete with private sector business. Local government will also be impacted where its local laws unnecessarily affect competition. A full review of the Shire of Morawa Local Laws commenced during the reporting period, with gazettal of the laws expected to occur in the first half of 2018-2019.

The Shire of Morawa does not have any Significant Business Activities that have been declared a Public Trading Exercise (PTE) or a Financial Trading Enterprise (FTE) by the Australian Bureau of Statistics.

As the Shire of Morawa has no PTE or FTE's the structural reform principles have not been applied to any activities.

The Shire of Morawa continues to carry out reviews of legislation within which the Shire operates.

Register of Minor Complaints

Section 5.121 of the *Local Government Act 1995* requires the complaints officer for each local government to maintain a register of complaints which records all complaints that result in action under section 5.110(6) (b) or (c) of the Act.



Section 5.53 (2) (b) of the *Local Government Act 1995* requires that details of entries made under section 5.121 during the financial year in the register of complaints including:

- ❖ The number of complaints recorded on the register of complaints;
- ❖ How the recorded complaints were dealt with; and
- ❖ Any other details that the regulations may require;

be disclosed in the Annual Report.

No complaints of minor breaches under the *Local Government Act 1995* were received in the reporting period.

Payment to Employees

Regulation 19B of the *Local Government (Administration) Regulations 1996* requires the Shire to include the following information in its Annual Report: The reported amounts refer to cash remuneration only.

- ❖ The number of employees of the Shire entitled to an annual salary of \$100,000 or more; and
- ❖ The number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000. The stated amount may not reflect the actual number of employees receiving the amount during the reporting period at any one time.

| From | To | Number of Employees |
|-----------|-----------|---------------------|
| \$100,000 | \$109,999 | 2 |
| \$110,000 | \$119,999 | 1 |
| \$120,000 | \$129,999 | |
| \$130,000 | \$139,999 | |
| \$140,000 | \$149,999 | 1 |
| \$150,000 | \$159,999 | |
| \$160,000 | \$169,999 | |
| \$170,000 | \$179,999 | |

Information

Personal Involvement

Elected members are involved with many organisations within the community, and are also active in representing Morawa at a regional or state level. Council's nominations to other organisations include:

- Northern Zone of WALGA
- North Midland Education and Industry Alliance
- North East Farming Futures
- Regional Road Group
- Morawa Community Aged Care Committee Aged Care
- Midwest – Wheatbelt Joint Development Assessment Panel
- Morawa Sinosteel Future Fund Committee



Standing Committees

At present there is one standing Committees of Council:

- Audit Committee

Occasional Committees

Council utilises occasional Committees as and when required.

Agendas

To ensure that all items are included in the Agenda for Council meetings, it is requested that items for consideration be submitted to the Chief Executive Officer at least 10 days prior to Council meeting, as Agendas are prepared for members and are distributed one week prior to the meeting. This will permit each item to be researched if necessary, and be presented to Council with a recommendation for decision, if appropriate.

Copies of the Agenda are available prior to the meeting in accordance with the *Local Government Act 1995*. Please note that all Minutes are subject to confirmation by Council.

Complaints

Complaints received by Council are processed and assigned to a responsible officer to be followed up. Most complaints received are in the form of works requests, which are assigned to works staff to complete. A system is in place to monitor progress of complaints. Where complaints are lodged about Councillor Conduct, these are processed as required under section 5.53 of the Local Government Act. In this instance the complaint is recorded under the Register of Minor Complaints.

Delegated Authority

Under the *Local Government Act 1995*, Council is able to delegate many powers to either Committees or to the Chief Executive Officer. The CEO may then further delegate the duty or responsibility to perform a task. Delegations are recorded in a Register, and are reviewed by Council and the CEO annually.

Services to the Community

Council provides an extensive variety of services for the community under a wide range of legislation. Services provided include:

| | | |
|------------------------|-----------------------|--------------------------|
| Building control | Library services | Recycling |
| Bush fire control | Litter bins | Roads, footpaths & kerbs |
| Cemeteries | Traffic control works | Rubbish collection |
| Citizenship ceremonies | Parks & reserves | Storm water drainage |
| Crossovers | Planning controls | Street lighting |



| | | |
|----------------------|-----------------------------|----------------------|
| Dog control | Playground equipment | Street sweeping |
| Drainage | Public buildings for hire | Street tree planting |
| Environmental health | Public toilets | Swimming pool |
| Fire prevention | Recreation/sport facilities | |

Access to Council Documents

The following documents are available for inspection at the Shire Offices free of charge. Copies of the documents can be made available, although some will incur a charge to cover the cost of photocopying. The *Local Government Act 1995* does stipulate minimum requirements for documents to be made available for public inspection, and these include:

- ❖ Minutes and Agendas of Council and committee meetings
- ❖ General Policy Manual
- ❖ Annual Budgets
- ❖ Annual Report
- ❖ Annual Financial Statements
- ❖ Monthly Financial Statements
- ❖ Council Local Laws (formerly known as By-laws)
- ❖ Local Planning Scheme
- ❖ Electoral Rolls
- ❖ Financial Interest Register - Primary and Annual Returns, and Declarations
- ❖ Strategic Community Plan
- ❖ Corporate Plan

Many of these documents are also available on the Shire of Morawa website – www.morawa.wa.gov.au.



Bike Week Activities March 2018

Report on Corporate Plan

| Objective - ECONOMIC | | |
|---|--|---|
| A diverse, resilient and innovative economy | Maintain and increase population | <ul style="list-style-type: none"> • Developed relationships with existing and prospective mining companies. • Residential Land available. • Industrial Land Plan for Stage 1 now approved. Project now shovel ready. |
| | Maximise business, industry and investment opportunities | <ul style="list-style-type: none"> • New Economic Development Manager Position Commenced July 2017 • Regeneration Morawa to be rolled out. • New Local Planning Scheme and Strategy lodged with WA Planning Commission for Final Approvals. • Membership & participation in Wildflower Tourism group • Provision for concept plan for caravan park expansion in 2018/19 budget. • Working with Morawa Business community on business signage. • Provision of building and administration services. |
| | Responsive to innovation and new technologies | <ul style="list-style-type: none"> • 2 new mobile phone towers approved. 1 operating at 30 June. 1 still to be made operational. • Council to continue to lobby for more phone towers via Blackspot submissions. |
| | Provide essential services and infrastructure to support population growth | <ul style="list-style-type: none"> • Asset management plans review is complete. |
| | Planned and balanced growth | <ul style="list-style-type: none"> • Awaiting WA Planning Commission Approval of new Local Planning Scheme and Strategy |
| | The main street is the civic and retail heart connecting the town | <ul style="list-style-type: none"> • Heritage and bush trails completed. • Ongoing maintenance of the Town Square. |
| | Attractive and well maintained buildings and streetscape | <ul style="list-style-type: none"> • Existing heritage colours policy is included in proposed LPS 3 policies. • Town clean-up day |



| | | |
|---|--|--|
| | | <ul style="list-style-type: none"> • Contributions made for painting of businesses. • Works team maintaining landscaping. • Planning for refurbishment of Council Chambers and Town Hall to be developed • Clean-up of untidy properties underway. |
| | Well maintained local roads and ancillary infrastructure | <ul style="list-style-type: none"> • Appointment of assets officer (part time) • Maintenance and renewal of road assets is planned and ongoing. |
| | Affordable diverse and quality accommodation options for both residential and business | <ul style="list-style-type: none"> • Leasing of aged persons units. • Leasing of low income units. • Transfer of aged units land to freehold is going ahead. • Future of old Morawa Hospital under investigation. |
| | Increased investment in transport networks | <ul style="list-style-type: none"> • Roads maintenance and upgrades continuing. • Issuing of RAV permits to heavy vehicle operators. • Liaison with Main Roads with regard to Network upgrades. • Airport continues to be maintained to comply with CASA requirements. |
| Objective - ENVIRONMENT | | |
| Protect and enhance the natural environment | Ensure natural resources are used efficiently and effectively | <ul style="list-style-type: none"> • Dam maintenance to be detailed in asset management plans. • Chlorinator has been installed for water reuse and monthly sampling done when water is in use. • No issues raised re rail impacts on townsite.. |
| | Enhance the promote rehabilitation of our native vegetation | <ul style="list-style-type: none"> • Biosecurity survey completed. • Refuse site rehabilitation to commence when new refuse site is opened. • Assist with control of pests. • Membership of biosecurity group. |

| | | |
|---|--|--|
| | | <ul style="list-style-type: none"> • Control of corellas in the Morawa townsite. |
| | Minimise impact of salinity | <ul style="list-style-type: none"> • Policy in place (drainage) |
| | A regional waste management solution to achieve zero landfill | <ul style="list-style-type: none"> • Transfer station operational. • Working on location for new site. |
| Objective - SOCIAL | | |
| A community that is friendly, healthy and inclusive | Services and facilities that meet the needs of the community | <ul style="list-style-type: none"> • A Club Development Officer is shared with the Shires of Three Springs and Perenjori. • The Shire continues to support Emergency Services with the assistance of a shared Community Emergency Services Manager. • Operation of aged and low income housing. • Some in kind support is provided to the Morawa CRC. • Transport services continue to be provided. |
| | Respect our cultural, indigenous and heritage assets | <ul style="list-style-type: none"> • Tourism promotion continues including support for the Tourism Group. • Roads and facilities related to tourism continue to be maintained. • The Shire supports community groups and events. • Policy in place |
| | Retain a safe environment | <ul style="list-style-type: none"> • The Shire continues to provide a ranger service. • An Environmental Health Officer visits throughout the year. • The Shire supports the continuing of the shared CESM officer. |
| | A wide range of regional events | <ul style="list-style-type: none"> • Provision of facilities and equipment. |
| | Improved and well maintained community , recreational and civic infrastructure | <ul style="list-style-type: none"> • Works program supporting maintenance of infrastructure. • Sports ground upgrade project complete. |

| | | |
|--|---|--|
| | | <ul style="list-style-type: none"> Asset management plans complete. |
| • Objective - CIVIC LEADERSHIP | | |
| A connected community with strong leadership | A well informed, connected community that actively participates | <ul style="list-style-type: none"> Snippets published in house. Regular updating of Website and Facebook. Community Consultation and Surveys. |
| | Existing strong community spirit and pride is fostered and encouraged | <ul style="list-style-type: none"> Thank a volunteer event. Acknowledgement of groups. Welcome to new residents event. Employment of Economic Development Manager. |
| | A local government that is respected, professional and accountable | <ul style="list-style-type: none"> Ongoing training of staff. Consultation with WALGA and the Department of Local Government. |
| | Improved regional partnerships with government and industry | <ul style="list-style-type: none"> Working with Perenjori on projects. Shared officers – CESM and Club Development. Attendance and participation in Regional Forums. Ongoing relationships with Midwest Development Commission, Karara, Sinosteel. |
| | Be compliant with relevant legislation | <ul style="list-style-type: none"> Annual audit process Lodgement of Compliance Audit Report. Adoption of policies. Delegations reviewed annually. |
| | Planned, affordable and effective service delivery and infrastructure | <ul style="list-style-type: none"> Review of Strategic Community Plan completed. |
| | Long term financial viability | <ul style="list-style-type: none"> Seeking efficiencies. Budgeting for anticipated expenses. Consideration of whole of life costing. Development of partnerships. |
| | Attract and retain quality staff | <ul style="list-style-type: none"> Development of training matrix. Annual reviews of all staff. Liaison with traineeship providers. |

| | | |
|--|--|---|
| | | <ul style="list-style-type: none"> • Budget for appropriate staffing levels and remuneration. • Future revision of Workforce plan. • Subscription to WALGA services. • Senior staff membership of Local Government Professionals. |
|--|--|---|

A new corporate plan has been prepared which is expected to be adopted by Council in 2018/19.

Town Clean-up Day - Karara and Shire Staff and Meedac volunteers.

Mr Grant Parsons with President Cr Karen Chappel receiving Australian citizenship on Australia Day 2018.



Australia Day Citizenship Award winner Mrs Shirley Katona



2017-2018 Financial Statements



Morawa Swimming Pool set up for school swimming carnival March 2018



New bush trail under construction



Cr Shirley Katona with CEO Mr Chris Linnell and Deputy President Cr Dean Carslake following her election to Council in May 2018.



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SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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COMMUNITY VISION

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, 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 main street 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 of 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.

Principal place of business:

26 Winfield Street
Morawa WA 6623

SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

Local Government Act 1995
Local Government (Financial Management) Regulations 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Morawa for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Morawa as at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 03 day of December 2018



Chief Executive Officer

Chris Linnell

Name of Chief Executive Officer



SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

| | NOTE | 2018 Actual \$ | 2018 Budget \$ | 2017 Actual \$ |
|---|-------|-------------------------|---------------------------|---------------------------|
| Revenue | | | | |
| Rates | 23(a) | 1,809,317 | 1,800,645 | 1,664,137 |
| Operating grants, subsidies and contributions | 2(a) | 2,498,463 | 1,197,480 | 6,026,656 |
| Fees and charges | 2(a) | 852,875 | 837,207 | 762,018 |
| Interest earnings | 2(a) | 143,259 | 102,362 | 172,463 |
| Other revenue | 2(a) | 154,561 | 137,989 | 153,973 |
| | | <u>5,458,475</u> | <u>4,075,683</u> | <u>8,779,247</u> |
| Expenses | | | | |
| Employee costs | | (1,637,304) | (1,717,634) | (1,582,206) |
| Materials and contracts | | (2,964,088) | (1,982,099) | (4,373,167) |
| Utility charges | | (360,225) | (360,123) | (503,598) |
| Depreciation on non-current assets | 9(b) | (1,713,120) | (1,463,496) | (1,470,054) |
| Interest expenses | 2(b) | (20,028) | (20,920) | (22,752) |
| Insurance expenses | | (174,778) | (140,979) | (200,120) |
| Other expenditure | | (170,918) | (696,123) | (126,586) |
| | | <u>(7,040,461)</u> | <u>(6,381,374)</u> | <u>(8,278,483)</u> |
| | | (1,581,986) | (2,305,691) | 500,764 |
| Non-operating grants, subsidies and contributions | 2(a) | 957,985 | 1,017,064 | 2,265,831 |
| Profit on asset disposals | 9(a) | 0 | 13,000 | 1,112 |
| (Loss) on asset disposals | 9(a) | (284) | 0 | (42,551) |
| Reversal of prior year loss on revaluation of Infrastructure - parks and ovals | 8(b) | 0 | 0 | 18,667 |
| Net result | | <u>(624,285)</u> | <u>(1,275,627)</u> | <u>2,743,823</u> |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 10 | 3,170,662 | 0 | (4,316,578) |
| Total other comprehensive income | | <u>3,170,662</u> | <u>0</u> | <u>(4,316,578)</u> |
| Total comprehensive income | | <u><u>2,546,377</u></u> | <u><u>(1,275,627)</u></u> | <u><u>(1,572,755)</u></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 2018

| | NOTE | 2018 Actual \$ | 2018 Budget \$ | 2017 Actual \$ |
|--|------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Governance | 2(a) | 570 | 10 | 40 |
| General purpose funding | | 3,527,616 | 2,693,995 | 4,202,542 |
| Law, order, public safety | | 37,839 | 26,230 | 25,098 |
| Health | | 3,906 | 5,350 | 3,328 |
| Education and welfare | | 14,402 | 133,899 | 22,333 |
| Housing | | 96,698 | 142,761 | 83,297 |
| Community amenities | | 437,386 | 451,091 | 435,500 |
| Recreation and culture | | 55,074 | 69,214 | 47,087 |
| Transport | | 1,484,556 | 246,130 | 3,665,610 |
| Economic services | * | (413,697) | 167,819 | 156,933 |
| Other property and services | | 214,125 | 139,184 | 137,479 |
| | | 5,458,475 | 4,075,683 | 8,779,247 |
| Expenses | | | | |
| Governance | 2(b) | (439,643) | (491,640) | (449,851) |
| General purpose funding | | (196,393) | (174,282) | (196,911) |
| Law, order, public safety | | (103,822) | (84,223) | (129,794) |
| Health | | (219,698) | (210,604) | (155,117) |
| Education and welfare | | (96,458) | (800,015) | (176,028) |
| Housing | | (298,794) | (292,350) | (130,093) |
| Community amenities | | (583,403) | (741,202) | (585,147) |
| Recreation and culture | | (1,419,177) | (1,136,614) | (1,164,883) |
| Transport | | (3,097,523) | (1,598,634) | (4,808,643) |
| Economic services | | (564,402) | (794,594) | (415,210) |
| Other property and services | | (1,120) | (36,296) | (44,054) |
| | | (7,020,433) | (6,360,454) | (8,255,731) |
| Finance Costs | | | | |
| Housing | 2(b) | (20,028) | (20,920) | (22,752) |
| | | (20,028) | (20,920) | (22,752) |
| | | (1,581,986) | (2,305,691) | 500,764 |
| Non-operating grants, subsidies and contributions | 2(a) | 957,985 | 1,017,064 | 2,265,831 |
| Profit on disposal of assets | 9(a) | 0 | 13,000 | 1,112 |
| (Loss) on disposal of assets | 9(a) | (284) | 0 | (42,551) |
| Reversal of prior year loss on revaluation of Infrastructure - parks and ovals | 8(b) | 0 | 0 | 18,667 |
| | | 957,701 | 1,030,064 | 2,243,059 |
| Net result | | (624,285) | (1,275,627) | 2,743,823 |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes on revaluation of non-current assets | 10 | 3,170,662 | 0 | (4,316,578) |
| Total other comprehensive income | | 3,170,662 | 0 | (4,316,578) |
| Total comprehensive income | | 2,546,377 | (1,275,627) | (1,572,755) |

* Grant funding of \$564,430 received in a previous period refunded in the current year

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



**SHIRE OF MORAWA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

| | NOTE | 2018 | 2017 |
|---|-------|-------------------|-------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 6,332,038 | 7,138,224 |
| Trade and other receivables | 5 | 1,277,716 | 685,729 |
| Inventories | 6 | 14,846 | 1,118 |
| TOTAL CURRENT ASSETS | | <u>7,624,600</u> | <u>7,825,071</u> |
| NON-CURRENT ASSETS | | | |
| Other receivables | 5 | 22,960 | 16,559 |
| Property, plant and equipment | 7(a) | 22,512,518 | 23,105,106 |
| Infrastructure | 8(a) | 47,544,308 | 44,071,710 |
| TOTAL NON-CURRENT ASSETS | | <u>70,079,786</u> | <u>67,193,375</u> |
| TOTAL ASSETS | | <u>77,704,386</u> | <u>75,018,446</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 417,857 | 165,459 |
| Current portion of long term borrowings | 12(a) | 75,142 | 70,815 |
| Provisions | 13 | 328,849 | 384,662 |
| TOTAL CURRENT LIABILITIES | | <u>821,848</u> | <u>620,936</u> |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 12(a) | 306,640 | 381,781 |
| Provisions | 13 | 40,178 | 26,386 |
| TOTAL NON-CURRENT LIABILITIES | | <u>346,818</u> | <u>408,167</u> |
| TOTAL LIABILITIES | | <u>1,168,666</u> | <u>1,029,103</u> |
| NET ASSETS | | <u>76,535,720</u> | <u>73,989,343</u> |
| EQUITY | | | |
| Retained surplus | | 35,036,076 | 34,337,219 |
| Reserves - cash backed | 4 | 5,673,997 | 6,997,139 |
| Revaluation surplus | 10 | 35,825,647 | 32,654,985 |
| TOTAL EQUITY | | <u>76,535,720</u> | <u>73,989,343</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 2018

| | NOTE | RESERVES | | | TOTAL EQUITY |
|-----------------------------------|------|-------------------|------------------|---------------------|-------------------|
| | | RETAINED SURPLUS | CASH BACKED | REVALUATION SURPLUS | |
| | | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2016 | | 32,282,013 | 6,308,522 | 36,971,563 | 75,562,098 |
| Comprehensive income | | | | | |
| Net result | | 2,743,823 | 0 | 0 | 2,743,823 |
| Changes on revaluation of assets | 10 | 0 | 0 | (4,316,578) | (4,316,578) |
| Total comprehensive income | | 2,743,823 | 0 | (4,316,578) | (1,572,755) |
| Transfers from/(to) reserves | | (688,617) | 688,617 | 0 | 0 |
| Balance as at 30 June 2017 | | 34,337,219 | 6,997,139 | 32,654,985 | 73,989,343 |
| Comprehensive income | | | | | |
| Net result | | (624,285) | 0 | 0 | (624,285) |
| Changes on revaluation of assets | 10 | 0 | 0 | 3,170,662 | 3,170,662 |
| Total comprehensive income | | (624,285) | 0 | 3,170,662 | 2,546,377 |
| Transfers from/(to) reserves | | 1,323,142 | (1,323,142) | 0 | 0 |
| Balance as at 30 June 2018 | | 35,036,076 | 5,673,997 | 35,825,647 | 76,535,720 |

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 2018

| | NOTE | 2018 Actual | 2018 Budget | 2017 Actual |
|--|------|-------------------------|-------------------------|-------------------------|
| | | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Rates | | 1,731,785 | 1,950,645 | 1,548,484 |
| Operating grants, subsidies and contributions | | 2,001,251 | 1,199,980 | 6,824,109 |
| Fees and charges | | 852,875 | 837,207 | 806,021 |
| Interest earnings | | 250,451 | 102,362 | 172,463 |
| Goods and services tax | | 241,963 | 371,974 | 776,355 |
| Other revenue | | 151,358 | 137,989 | 143,394 |
| | | <u>5,229,683</u> | <u>4,600,157</u> | <u>10,270,826</u> |
| Payments | | | | |
| Employee costs | | (1,682,476) | (1,715,134) | (1,582,062) |
| Materials and contracts | | (2,722,197) | (1,682,099) | (4,536,450) |
| Utility charges | | (360,225) | (360,123) | (503,598) |
| Interest expenses | | (20,098) | (20,420) | (24,112) |
| Insurance expenses | | (174,778) | (140,979) | (200,120) |
| Goods and services tax | | (369,596) | (371,974) | (787,388) |
| Other expenditure | | (170,918) | (696,123) | (126,586) |
| | | <u>(5,500,288)</u> | <u>(4,986,852)</u> | <u>(7,760,316)</u> |
| Net cash provided by (used in) operating activities | 14 | <u>(270,605)</u> | <u>(386,695)</u> | <u>2,510,510</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for development of land held for resale | | 0 | (20,000) | 0 |
| Payments for purchase of property, plant & equipment | | (80,140) | (332,870) | (1,321,521) |
| Payments for construction of infrastructure | | (1,343,703) | (1,807,415) | (2,700,965) |
| Non-operating grants, subsidies and contributions | | 957,985 | 1,017,064 | 2,172,061 |
| Proceeds from sale of fixed assets | | 1,091 | 15,000 | 132,273 |
| Net cash provided by (used in) investing activities | | <u>(464,767)</u> | <u>(1,128,221)</u> | <u>(1,718,152)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of long term borrowings | | (70,814) | (70,815) | (66,743) |
| Net cash provided by (used in) financing activities | | <u>(70,814)</u> | <u>(70,815)</u> | <u>(66,743)</u> |
| Net increase (decrease) in cash held | | <u>(806,186)</u> | <u>(1,585,731)</u> | <u>725,615</u> |
| Cash at beginning of year | | 7,138,224 | 7,046,435 | 6,412,609 |
| Cash and cash equivalents at the end of the year | 14 | <u><u>6,332,038</u></u> | <u><u>5,460,704</u></u> | <u><u>7,138,224</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 2018**

| | NOTE | 2018 Actual | 2018 Budget | 2017 Actual |
|---|-------|------------------|----------------|----------------|
| | | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Net current assets at start of financial year - surplus/(deficit) | | 558,948 | 428,376 | 1,081,056 |
| | | 558,948 | 428,376 | 1,081,056 |
| Revenue from operating activities (excluding rates) | | | | |
| Governance | | 570 | 10 | 40 |
| General purpose funding | | 1,743,970 | 897,142 | 2,548,313 |
| Law, order, public safety | | 37,839 | 26,230 | 25,098 |
| Health | | 3,906 | 5,350 | 3,328 |
| Education and welfare | | 14,402 | 133,899 | 22,333 |
| Housing | | 96,698 | 142,761 | 83,297 |
| Community amenities | | 437,386 | 464,091 | 435,500 |
| Recreation and culture | | 55,074 | 69,214 | 47,087 |
| Transport | | 1,484,556 | 246,130 | 3,666,722 |
| Economic services | | (413,697) | 167,819 | 156,933 |
| Other property and services | | 214,125 | 139,184 | 137,479 |
| | | 3,674,829 | 2,291,830 | 7,126,130 |
| Expenditure from operating activities | | | | |
| Governance | | (439,643) | (491,640) | (449,851) |
| General purpose funding | | (196,393) | (174,282) | (178,244) |
| Law, order, public safety | | (103,822) | (84,223) | (146,986) |
| Health | | (219,698) | (210,604) | (155,117) |
| Education and welfare | | (96,458) | (800,015) | (176,028) |
| Housing | | (318,822) | (313,270) | (152,845) |
| Community amenities | | (583,403) | (741,202) | (585,147) |
| Recreation and culture | | (1,419,177) | (1,136,614) | (1,164,883) |
| Transport | | (3,097,807) | (1,598,634) | (4,815,580) |
| Economic services | | (564,402) | (794,594) | (415,210) |
| Other property and services | | (1,120) | (36,296) | (62,476) |
| | | (7,040,745) | (6,381,374) | (8,302,367) |
| Operating activities excluded | | | | |
| (Profit) on disposal of assets | 9(a) | 0 | (13,000) | (1,112) |
| Loss on disposal of assets | 9(a) | 284 | 0 | 42,551 |
| (Reversal) of prior year loss on revaluation of fixed assets | | 0 | 0 | (18,667) |
| Movement in deferred pensioner rates (non-current) | | (6,401) | 0 | (2,624) |
| Movement in employee benefit provisions (non-current) | | 13,792 | 0 | (11,275) |
| Movement in LSL Reserve | | (71,867) | 0 | (5,515) |
| Depreciation and amortisation on assets | 9(b) | 1,713,120 | 1,463,496 | 1,470,054 |
| Amount attributable to operating activities | | (1,158,040) | (2,210,672) | 1,378,231 |
| INVESTING ACTIVITIES | | | | |
| Non-operating grants, subsidies and contributions | | 957,985 | 1,017,064 | 2,265,831 |
| Proceeds from disposal of assets | 9(a) | 1,091 | 15,000 | 132,273 |
| Purchase of land held for resale | | 0 | (20,000) | 0 |
| Purchase of property, plant and equipment | 7(b) | (80,140) | (332,870) | (1,415,291) |
| Purchase and construction of infrastructure | 8(b) | (1,343,703) | (1,807,415) | (2,700,965) |
| Amount attributable to investing activities | | (464,767) | (1,128,221) | (1,718,152) |
| FINANCING ACTIVITIES | | | | |
| Repayment of long term borrowings | 12(a) | (70,814) | (70,815) | (66,743) |
| Transfers to reserves (restricted assets) | 4 | (351,128) | (278,751) | (1,340,804) |
| Transfers from reserves (restricted assets) | 4 | 1,674,270 | 1,892,170 | 652,187 |
| Amount attributable to financing activities | | 1,252,328 | 1,542,604 | (755,360) |
| Surplus(deficiency) before general rates | | (370,479) | (1,796,289) | (1,095,281) |
| Total amount raised from general rates | 23(a) | 1,783,646 | 1,796,853 | 1,654,229 |
| Net current assets at June 30 c/fwd - surplus/(deficit) | 24 | 1,413,167 | 564 | 558,948 |

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

1. 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 and to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report 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 affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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 26 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY **Land under roads**

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

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

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

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

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

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

| (a) Revenue | 2018 Actual | 2017 Actual |
|--|----------------|----------------|
| | \$ | \$ |
| Significant revenue | | |
| WANDRRA Flood Damage | 1,359,935 | 3,447,457 |
| Funding was approved to repair damage sustained to eight of the district's roads during January/February 2017 rain events. | | |
| Other revenue | | |
| Reimbursements and recoveries | 89,229 | 78,000 |
| Other | 65,332 | 75,973 |
| | 154,561 | 153,973 |
| Fees and Charges | | |
| Governance | 25 | 40 |
| General purpose funding | 17,137 | 6,049 |
| Law, order, public safety | 9,768 | 2,129 |
| Health | 0 | 471 |
| Education and welfare | 2,789 | 2,744 |
| Housing | 95,432 | 66,070 |
| Community amenities | 430,104 | 434,155 |
| Recreation and culture | 52,783 | 40,269 |
| Transport | 29,391 | 882 |
| Economic services | 120,690 | 178,994 |
| Other property and services | 94,756 | 30,215 |
| | 852,875 | 762,018 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Operating grants, subsidies and contributions | | |
| General purpose funding | 1,557,402 | 2,359,438 |
| Law, order, public safety | 18,572 | 18,968 |
| Education and welfare | 11,614 | 18,993 |
| Housing | 0 | 4,545 |
| Community amenities | 6,000 | 0 |
| Recreation and culture | 0 | 5,000 |
| Transport | 1,439,305 | 3,647,212 |
| Economic services | (534,430) | (30,000) |
| Other property and services | 0 | 2,500 |
| | <u>2,498,463</u> | <u>6,026,656</u> |
| Non-operating grants, subsidies and contributions | | |
| Governance | 20,000 | 0 |
| Law, order, public safety | 0 | 370,940 |
| Education and welfare | 0 | 11,000 |
| Housing | 0 | 578,060 |
| Community amenities | 0 | 3,829 |
| Recreation and culture | 0 | 282,000 |
| Transport | 937,985 | 926,232 |
| Other property and services | 0 | 93,770 |
| | <u>957,985</u> | <u>2,265,831</u> |
| Total grants, subsidies and contributions | <u>3,456,448</u> | <u>8,292,487</u> |

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

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 22. 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 period.

| | 2018 | 2018 | 2017 |
|---|----------------|----------------|----------------|
| | Actual | Budget | Actual |
| | \$ | \$ | \$ |
| Interest earnings | | | |
| - Reserve funds | 99,068 | 63,862 | 98,552 |
| - Other funds | 14,366 | 10,000 | 10,332 |
| Other interest revenue (refer note 23(e)) | 29,825 | 28,500 | 63,579 |
| | <u>143,259</u> | <u>102,362</u> | <u>172,463</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

| (b) Expenses | 2018 | 2017 |
|--|-----------|-----------|
| | \$ | \$ |
| Significant expense | | |
| WANDRRA Flood Damage | 1,578,416 | 3,431,788 |
| Damage was sustained to eight of the district's roads during January/February 2017. Council undertook a competitive Public Tender Process inviting suitable and experienced consultants to provide Project Management and Claims Management Services. The estimated total cost of the repairs is approximately \$4.1 million and estimated to be completed in November 2018. | | |
| Auditors remuneration | | |
| - Audit by RSM - Final | 17,039 | 23,633 |
| - Other Services by RSM | 7,950 | 0 |
| - Other Services by Moore Stephens | 6,855 | 6,350 |
| | 31,844 | 29,983 |
| Interest expenses (finance costs) | | |
| Long term borrowings (refer Note 12(a)) | 20,028 | 22,752 |
| | 20,028 | 22,752 |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

| 3. CASH AND CASH EQUIVALENTS | NOTE | 2018 | 2017 |
|------------------------------|------|-----------|-----------|
| | | \$ | \$ |
| Unrestricted | | 514,845 | 20,190 |
| Restricted | | 5,817,193 | 7,118,034 |
| | | 6,332,038 | 7,138,224 |

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

| | | | |
|---|----|-----------|-----------|
| Long Service Leave Reserve | 4 | 209,270 | 281,137 |
| Plant Reserve | 4 | 1,015,608 | 905,518 |
| Building Reserve | 4 | 121,089 | 99,976 |
| Economic Development Reserve | 4 | 110,526 | 109,308 |
| Community Development Reserve | 4 | 1,217,918 | 1,187,559 |
| Sewerage Reserve | 4 | 218,716 | 216,306 |
| Unspent Grants and Contributions Reserve | 4 | 26,413 | 877,390 |
| Morawa Future Funds Interest Reserve | 4 | 126,630 | 88,036 |
| Morawa Community Future Funds Reserve | 4 | 2,165,470 | 2,121,127 |
| Refuse Transfer Station Reserve | 4 | 27 | 27 |
| Aged Care Units Reserve | 4 | 9,233 | 9,131 |
| ST-N/Midlands Solar Thermal Power Reserve | 4 | 0 | 558,966 |
| ST-Morawa Revitalisation Reserve | 4 | 37,705 | 176,348 |
| Business Units Reserve | 4 | 102,875 | 81,962 |
| Legal Fees Reserve | 4 | 25,402 | 20,177 |
| Road Reserve | 4 | 143,228 | 141,649 |
| Aged Care ex MCC Unit 1-4 Reserve | 4 | 68,721 | 67,964 |
| Aged Care Unit 5 Reserve | 4 | 55,166 | 54,558 |
| Swimming Pool Reserve | 4 | 20,000 | 0 |
| Unspent grants | 22 | 143,196 | 120,895 |
| | | 5,817,193 | 7,118,034 |

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk.

Cash and cash equivalents (Continued)

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

| | 2018 | | 2018 | | 2018 | | 2018 | | 2018 | | 2017 | | 2017 | |
|---|-----------|----------|-------------|----------|-----------|-----------|----------|-------------|-----------|-----------|-----------|-----------|----------|-----------|
| | Actual | Actual | Actual | Transfer | 2018 | Budget | Budget | Budget | Opening | Actual | Actual | Actual | Actual | Closing |
| | Opening | Transfer | Transfer | (from) | Actual | Opening | Transfer | Transfer | Balance | Balance | Balance | Transfer | Transfer | Balance |
| | Balance | to | (from) | | Balance | Balance | to | (from) | \$ | \$ | \$ | (from) | (from) | \$ |
| Long Service Leave Reserve | 281,137 | 8,133 | (80,000) | 0 | 209,270 | 281,137 | 7,611 | (80,000) | 208,748 | 286,652 | 8,377 | (13,892) | 0 | 281,137 |
| Plant Reserve | 905,518 | 110,090 | 0 | 0 | 1,015,608 | 905,518 | 108,411 | (60,000) | 953,929 | 941,344 | 166,184 | (202,010) | 0 | 905,518 |
| Building Reserve | 99,976 | 21,113 | 0 | 0 | 121,089 | 99,976 | 20,929 | (50,000) | 70,905 | 79,045 | 20,931 | 0 | 0 | 99,976 |
| Economic Development Reserve | 109,308 | 1,218 | 0 | 0 | 110,526 | 109,308 | 1,015 | (25,000) | 85,323 | 108,035 | 1,273 | 0 | 0 | 109,308 |
| Community Development Reserve | 1,187,559 | 30,359 | 0 | 0 | 1,217,918 | 1,187,559 | 11,030 | (10,000) | 1,188,589 | 1,376,593 | 10,966 | (200,000) | 0 | 1,187,559 |
| Sewerage Reserve | 216,306 | 2,410 | 0 | 0 | 218,716 | 216,306 | 34,528 | (70,000) | 180,834 | 144,602 | 71,704 | 0 | 0 | 216,306 |
| Unspent Grants and Contributions Reserve | 877,390 | 1,495 | (852,472) | 0 | 26,413 | 877,391 | 8,149 | (832,972) | 52,568 | 92,743 | 852,969 | (68,322) | 0 | 877,390 |
| Morawa Future Funds Interest Reserve | 88,036 | 38,594 | 0 | 0 | 126,630 | 88,036 | 12,050 | 0 | 100,086 | 54,705 | 33,331 | 0 | 0 | 88,036 |
| Morawa Community Future Funds Reserve | 2,121,127 | 81,711 | (37,368) | 0 | 2,165,470 | 2,121,127 | 19,703 | (36,000) | 2,104,830 | 2,140,600 | 13,214 | (32,687) | 0 | 2,121,127 |
| Refuse Transfer Station Reserve | 27 | 0 | 0 | 0 | 27 | 27 | 0 | 0 | 27 | 134,515 | 788 | (135,276) | 0 | 27 |
| Aged Care Units Reserve | 9,131 | 102 | 0 | 0 | 9,233 | 9,131 | 85 | 0 | 9,216 | 9,025 | 106 | 0 | 0 | 9,131 |
| ST-N/Midlands Solar Thermal Power Reserve | 558,966 | 5,464 | (564,430) | 0 | 0 | 559,632 | 5,198 | (550,000) | 14,830 | 550,687 | 8,279 | 0 | 0 | 558,966 |
| ST-Morawa Revitalisation Reserve | 176,348 | 1,357 | (140,000) | 0 | 37,705 | 176,558 | 1,640 | (178,198) | 0 | 173,736 | 2,612 | 0 | 0 | 176,348 |
| Business Units Reserve | 81,962 | 20,913 | 0 | 0 | 102,875 | 81,961 | 20,761 | 0 | 102,722 | 61,240 | 20,722 | 0 | 0 | 81,962 |
| Legal Fees Reserve | 20,177 | 5,225 | 0 | 0 | 25,402 | 20,177 | 5,187 | 0 | 25,364 | 15,000 | 5,177 | 0 | 0 | 20,177 |
| Road Reserve | 141,649 | 1,579 | 0 | 0 | 143,228 | 141,649 | 1,316 | 0 | 142,965 | 140,000 | 1,649 | 0 | 0 | 141,649 |
| Aged Care ex MCC Unit 1-4 Reserve | 67,964 | 757 | 0 | 0 | 68,721 | 67,964 | 631 | 0 | 68,595 | 0 | 67,964 | 0 | 0 | 67,964 |
| Aged Care Unit 5 Reserve | 54,558 | 608 | 0 | 0 | 55,166 | 54,558 | 507 | 0 | 55,065 | 0 | 54,558 | 0 | 0 | 54,558 |
| Swimming Pool Reserve | 0 | 20,000 | 0 | 0 | 20,000 | 0 | 20,000 | 0 | 20,000 | 0 | 0 | 0 | 0 | 0 |
| | 6,997,139 | 351,128 | (1,674,270) | 0 | 5,673,997 | 6,998,015 | 278,751 | (1,892,170) | 5,384,596 | 6,308,522 | 1,340,804 | (652,187) | 0 | 6,997,139 |

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

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

| Name of Reserve | Anticipated date of use | Purpose of the reserve |
|---|-------------------------|---|
| Long Service 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 Future Funds Interest 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 | 17/18 | - to be used for Morawa Landfill closure |
| Aged Care Units Reserve | Ongoing | - to be used for the maintenance/ construction of Aged Care Units at the Morawa Perenjori Health Centre |
| 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 | 17/18 | - Super Town funds to be used for the Morawa Town Revitalisation Project |
| Business Units Reserve | 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. |
| Aged Care ex MCC Unit 1-4 Reserve | Ongoing | - to be used for the maintenance/upgrade of Aged Care Units 1-4 at the Morawa Perenjori Health Centre |
| Aged Care Unit 5 Reserve | Ongoing | - to be used for the maintenance/upgrade Aged Care Unit 5 at the Morawa Perenjori Health Centre |
| Swimming Pool Reserve | Ongoing | - to be used for the maintenance/upgrade to Morawa Swimming Pool |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

5. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|--------------------------------|------------------|----------------|
| | \$ | \$ |
| Current | | |
| Rates outstanding | 558,537 | 487,406 |
| Sundry debtors | 71,409 | 48,351 |
| GST receivable | 164,167 | 36,534 |
| Accrued income | 491,349 | 114,161 |
| Provision for doubtful debts | (7,746) | (723) |
| | <u>1,277,716</u> | <u>685,729</u> |
| Non-current | | |
| Rates outstanding - pensioners | 22,960 | 16,559 |
| | <u>22,960</u> | <u>16,559</u> |

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

Rates outstanding

Includes:

| | | |
|---------------------------|---------|---------|
| Past due and not impaired | 577,576 | 503,965 |
| Impaired | 3,921 | 0 |

The table illustrates the rates outstanding aging analysis (including non current pensioners)

| | | |
|---------------------|----------------|----------------|
| Up to one year | 283,897 | 284,224 |
| One to three years | 151,872 | 121,959 |
| Three or more years | 145,728 | 97,782 |
| | <u>581,497</u> | <u>503,965</u> |

Sundry debtors

Includes:

| | | |
|---------------------------|--------|--------|
| Past due and not impaired | 67,584 | 47,628 |
| Impaired | 3,825 | 723 |

The table illustrates the sundry debtors aging analysis

| | | |
|----------------------|---------------|---------------|
| Up to one month | 11,209 | 29,339 |
| One to three months | 6,033 | 7,591 |
| Three or more months | 54,167 | 11,421 |
| | <u>71,409</u> | <u>48,351</u> |

SIGNIFICANT ACCOUNTING POLICIES

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.

Classification and subsequent measurement

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

6. INVENTORIES

Current

Fuel and materials

| | 2018 | 2017 |
|--|--------|-------|
| | \$ | \$ |
| | 14,846 | 1,118 |
| | 14,846 | 1,118 |

SIGNIFICANT ACCOUNTING POLICIES

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7 (a). PROPERTY, PLANT AND EQUIPMENT

| Land and buildings | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Land - freehold land at: | | |
| - Independent valuation 2017 - Level 2 | 1,133,660 | 1,133,660 |
| - Independent valuation 2017 - Level 3 | 63,000 | 63,000 |
| - Additions after valuation - cost | 28,636 | 0 |
| | <u>1,225,296</u> | <u>1,196,660</u> |
| Land - vested in and under the control of Council at: | | |
| - Independent valuation 2017 - Level 3 | 7,400 | 7,400 |
| | <u>7,400</u> | <u>7,400</u> |
| Total land | <u>1,232,696</u> | <u>1,204,060</u> |
| Buildings - non-specialised at: | | |
| - Independent valuation 2017 - Level 2 | 4,258,000 | 4,258,000 |
| - Additions after valuation - cost | 51,504 | 0 |
| Less: accumulated depreciation | (103,882) | 0 |
| | <u>4,205,622</u> | <u>4,258,000</u> |
| Buildings - specialised at: | | |
| - Independent valuation 2017 - Level 3 | 15,190,700 | 15,190,700 |
| Less: accumulated depreciation | (284,501) | 0 |
| | <u>14,906,199</u> | <u>15,190,700</u> |
| Total buildings | <u>19,111,821</u> | <u>19,448,700</u> |
| Total land and buildings | <u>20,344,517</u> | <u>20,652,760</u> |
| Furniture and equipment at: | | |
| - Independent valuation 2016 - Level 2 | 49,300 | 49,300 |
| - Management valuation 2016 - Level 2 | 10,159 | 10,159 |
| - Management valuation 2016 - Level 3 | 35,091 | 35,091 |
| - Additions after valuation - cost | 11,702 | 11,702 |
| Less: accumulated depreciation | (29,386) | (13,553) |
| | <u>76,866</u> | <u>92,699</u> |
| Plant and equipment at: | | |
| - Independent valuation 2016 - Level 2 | 1,272,000 | 1,272,000 |
| - Management valuation 2016 - Level 2 | 433,782 | 436,282 |
| - Management valuation 2016 - Level 3 | 128,834 | 128,834 |
| - Additions after valuation - cost | 732,396 | 732,396 |
| Less: accumulated depreciation | (475,877) | (209,865) |
| | <u>2,091,135</u> | <u>2,359,647</u> |
| Total property, plant and equipment | <u>22,512,518</u> | <u>23,105,106</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

| | Land - freehold land | Land - vested in and under the control of Council | Total land | Buildings - specialised | Buildings - non-specialised | Buildings - specialised | Total buildings | Total land and buildings | Furniture and equipment | Plant and equipment | Work in Progress | Total property, plant and equipment |
|--|----------------------|---|-------------|-------------------------|-----------------------------|-------------------------|-----------------|--------------------------|-------------------------|---------------------|------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 1,841,500 | 505,885 | 2,347,385 | 3,124,071 | 18,720,974 | 21,845,045 | 24,192,430 | 94,550 | 2,032,207 | 199,697 | 26,518,884 | |
| Additions | 93,771 | 0 | 93,771 | 0 | 531,023 | 531,023 | 624,794 | 0 | 790,497 | 0 | 1,415,291 | |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (173,712) | 0 | (173,712) | |
| Revaluation increments/(decrements) transferred to revaluation surplus | (738,611) | (498,485) | (1,237,096) | (21,757) | (2,700,368) | (2,722,125) | (3,959,221) | 0 | 0 | 0 | (3,959,221) | |
| Depreciation (expense) | 0 | 0 | 0 | (86,814) | (376,227) | (463,041) | (463,041) | (13,553) | (231,244) | 0 | (707,838) | |
| Transfers | 1,196,660 | 7,400 | 1,204,060 | 1,242,500 | (984,702) | 257,798 | 257,798 | 11,702 | (58,101) | (199,697) | 11,702 | |
| Carrying amount at 30 June 2017 | 28,636 | 28,636 | 57,272 | 4,258,000 | 15,190,700 | 19,448,700 | 20,652,760 | 92,699 | 2,359,647 | 0 | 23,105,106 | |
| Additions | 0 | 0 | 0 | 51,504 | 0 | 51,504 | 80,140 | 0 | 0 | 0 | 80,140 | |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,375) | 0 | (1,375) | |
| Depreciation (expense) | 0 | 0 | 0 | (103,882) | (284,501) | (388,383) | (388,383) | (15,833) | (267,137) | 0 | (671,353) | |
| Carrying amount at 30 June 2018 | 1,225,296 | 7,400 | 1,232,696 | 4,205,622 | 14,906,199 | 19,111,821 | 20,344,517 | 76,866 | 2,091,135 | 0 | 22,512,518 | |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|---|----------------------|--|--------------------------------|------------------------|---|
| Land and buildings | | | | | |
| Land - freehold land | 2 | Market approach using recent observable market data for similar properties | Independent registered valuers | June 2017 | Price per hectare |
| Land - freehold land | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Independent registered valuers | June 2017 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Land - vested in and under the control of Council | 3 | Income approach | Independent registered valuers | June 2017 | Comparative income and expense data |
| Buildings - non-specialised | 2 | Market approach using recent observable market data for similar properties | Independent registered valuers | June 2017 | Price per square metre |
| Buildings - specialised | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Independent registered valuers | June 2017 | Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Furniture and equipment | | | | | |
| - 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 |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements (Continued)

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|------------------------------|----------------------|---|--------------------------------|------------------------|--|
| 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 2018

8 (a). INFRASTRUCTURE

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Infrastructure - Roads | | |
| - Management valuation 2015 - Level 3 | 0 | 56,477,482 |
| - Management valuation 2018 - Level 3 | 67,482,348 | 0 |
| - Additions after valuation - cost | 0 | 2,542,599 |
| Less: accumulated depreciation | (29,705,023) | (25,023,936) |
| | <u>37,777,325</u> | <u>33,996,145</u> |
| Infrastructure - Footpaths | | |
| - Management valuation 2015 - Level 3 | 0 | 1,049,165 |
| - Management valuation 2018 - Level 3 | 1,106,056 | 0 |
| - Additions after valuation - cost | 0 | 2,075 |
| Less: accumulated depreciation | (720,289) | (669,181) |
| | <u>385,767</u> | <u>382,059</u> |
| Infrastructure - Parks and Ovals | | |
| - Independent valuation 2017 - Level 3 | 1,520,150 | 1,520,150 |
| Less: accumulated depreciation | (745,573) | (699,400) |
| | <u>774,577</u> | <u>820,750</u> |
| Infrastructure - Sewerage | | |
| - Independent valuation 2017 - Level 3 | 3,649,550 | 3,649,550 |
| Less: accumulated depreciation | (1,449,582) | (1,381,700) |
| | <u>2,199,968</u> | <u>2,267,850</u> |
| Infrastructure - Airfields | | |
| - Independent valuation 2017 - Level 3 | 2,103,500 | 2,103,500 |
| Less: accumulated depreciation | (1,580,825) | (1,529,500) |
| | <u>522,675</u> | <u>574,000</u> |
| Infrastructure - Dams | | |
| - Independent valuation 2017 - Level 3 | 2,192,150 | 2,192,150 |
| Less: accumulated depreciation | (1,553,913) | (1,508,670) |
| | <u>638,237</u> | <u>683,480</u> |
| Infrastructure - Playground Equipment | | |
| - Independent valuation 2017 - Level 3 | 230,650 | 230,650 |
| Less: accumulated depreciation | (139,818) | (127,450) |
| | <u>90,832</u> | <u>103,200</u> |
| Infrastructure - Other | | |
| - Independent valuation 2017 - Level 3 | 9,411,750 | 9,411,750 |
| - Management valuation 2017 - Level 3 | 133,323 | 133,323 |
| - Additions after valuation - cost | 175,453 | 0 |
| Less: accumulated depreciation | (4,565,599) | (4,300,847) |
| | <u>5,154,927</u> | <u>5,244,226</u> |
| Total infrastructure | <u>47,544,308</u> | <u>44,071,710</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

| | Infrastructure - Roads | Infrastructure - Footpaths | Infrastructure - Parks and Ovals | Infrastructure - Sewerage | Infrastructure - Airfields | Infrastructure - Dams | Infrastructure - Playground Equipment | Infrastructure - Other | Infrastructure - Works in Progress | Total Infrastructure |
|---|---------------------------|-------------------------------|--|------------------------------|-------------------------------|--------------------------|---|---------------------------|--|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2016 | 32,970,122 | 403,084 | 642,121 | 2,139,211 | 587,500 | 631,960 | 37,100 | 4,357,967 | 714,288 | 42,483,353 |
| Additions | 1,524,911 | 0 | 0 | 0 | 0 | 0 | 0 | 1,176,054 | 0 | 2,700,965 |
| Revaluation increments/ (decrements) transferred to revaluation surplus | 0 | 0 | 167,732 | 203,033 | (1,000) | 87,859 | 71,400 | (886,381) | 0 | (357,357) |
| Revaluation (loss)/ reversals transferred to profit or loss | 0 | 0 | 18,667 | 0 | 0 | 0 | 0 | 0 | 0 | 18,667 |
| Depreciation (expense) | (498,888) | (21,025) | (7,770) | (74,394) | (12,500) | (36,339) | (5,300) | (106,000) | 0 | (762,216) |
| Transfers | | | | | | | | 702,586 | (714,288) | (11,702) |
| Carrying amount at 30 June 2017 | 33,996,145 | 382,059 | 820,750 | 2,267,850 | 574,000 | 683,480 | 103,200 | 5,244,226 | 0 | 44,071,710 |
| Additions | 1,168,250 | 0 | 0 | 0 | 0 | 0 | 0 | 175,453 | 0 | 1,343,703 |
| Revaluation increments/ (decrements) transferred to revaluation surplus | 3,145,929 | 24,733 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,170,662 |
| Depreciation (expense) | (532,999) | (21,025) | (46,173) | (67,882) | (51,325) | (45,243) | (12,368) | (264,752) | 0 | (1,041,767) |
| Carrying amount at 30 June 2018 | 37,777,325 | 385,767 | 774,577 | 2,199,968 | 522,675 | 638,237 | 90,832 | 5,154,927 | 0 | 47,544,308 |

8. 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 2018 | 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 2018 | 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 | Independent registered valuers | June 2017 | 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 | Independent registered valuers | June 2017 | 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 | Independent registered valuers | June 2017 | 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 | Independent registered valuers | June 2017 | 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 | Independent registered valuers | June 2017 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |
| Infrastructure - Other | 3 | Cost approach using depreciated replacement cost | Independent and management valuations | June 2017 | Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs |

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

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under control

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

| | Actual Net Book Value | Actual Sale Proceeds | Actual Profit | Actual Loss | Budget Net Book Value | Budget Sale Proceeds | Budget Profit | Budget Loss |
|-----------------------------------|-----------------------------|----------------------------|------------------|----------------|-----------------------------|----------------------------|------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Plant and Equipment | | | | | | | | |
| Community amenities | | | | | | | | |
| 1996 Toyota Coaster Community Bus | 0 | 0 | 0 | 0 | 2,000 | 15,000 | 13,000 | 0 |
| Transport | | | | | | | | |
| Proceeds of sale of Asset P128 | 1,375 | 1,091 | 0 | (284) | 0 | 0 | 0 | 0 |
| | 1,375 | 1,091 | 0 | (284) | 2,000 | 15,000 | 13,000 | 0 |

(b) Depreciation

| | 2018 | 2017 |
|---------------------------------------|-----------|-----------|
| | \$ | \$ |
| Buildings - non-specialised | 103,882 | 86,814 |
| Buildings - specialised | 284,501 | 376,227 |
| Furniture and equipment | 15,833 | 13,553 |
| Plant and equipment | 267,137 | 231,244 |
| Infrastructure - Roads | 532,999 | 498,888 |
| Infrastructure - Footpaths | 21,025 | 21,025 |
| Infrastructure - Parks and Ovals | 46,173 | 7,770 |
| Infrastructure - Sewerage | 67,882 | 74,394 |
| Infrastructure - Airfields | 51,325 | 12,500 |
| Infrastructure - Dams | 45,243 | 36,339 |
| Infrastructure - Playground Equipment | 12,368 | 5,300 |
| Infrastructure - Other | 264,752 | 106,000 |
| | 1,713,120 | 1,470,054 |

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

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 |

Depreciation (Continued)

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 2018

10. REVALUATION SURPLUS

| | 2018 | | | 2018 | | | 2018 | | | 2017 | | | 2017 | | |
|---------------------------------------|-----------------|-----------------------|-------------------------|-------------------------------------|-----------------|-----------------|-----------------------|-------------------------|-------------------------------------|-----------------|-----------------|-----------------------|-------------------------|-------------------------------------|-----------------|
| | Opening Balance | Revaluation Increment | Revaluation (Decrement) | Revaluation Movement on Revaluation | Closing Balance | Opening Balance | Revaluation Increment | Revaluation (Decrement) | Revaluation Movement on Revaluation | Closing Balance | Opening Balance | Revaluation Increment | Revaluation (Decrement) | Revaluation Movement on Revaluation | Closing Balance |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land and buildings | 10,023,810 | 0 | 0 | 0 | 10,023,810 | 13,983,031 | 0 | 0 | 0 | 13,983,031 | 10,023,810 | 0 | (3,959,221) | (3,959,221) | 10,023,810 |
| Furniture and equipment | 31,674 | 0 | 0 | 0 | 31,674 | 31,674 | 0 | 0 | 0 | 31,674 | 31,674 | 0 | 0 | 0 | 31,674 |
| Plant and equipment | 571,549 | 0 | 0 | 0 | 571,549 | 571,549 | 0 | 0 | 0 | 571,549 | 571,549 | 0 | 0 | 0 | 571,549 |
| Infrastructure - roads | 18,550,097 | 3,145,929 | 0 | 3,145,929 | 21,696,026 | 18,550,097 | 0 | 0 | 0 | 18,550,097 | 18,550,097 | 0 | 0 | 0 | 18,550,097 |
| Infrastructure - footpaths | 28,074 | 24,733 | 0 | 24,733 | 52,807 | 28,074 | 0 | 0 | 0 | 28,074 | 28,074 | 0 | 0 | 0 | 28,074 |
| Infrastructure - parks and ovals | 167,732 | 0 | 0 | 0 | 167,732 | 0 | 0 | 0 | 0 | 167,732 | 167,732 | 0 | 0 | 0 | 167,732 |
| Infrastructure - sewerage | 1,407,329 | 0 | 0 | 0 | 1,407,329 | 1,204,296 | 0 | 0 | 0 | 1,204,296 | 1,407,329 | 203,033 | 0 | 203,033 | 1,407,329 |
| Infrastructure - airfields | 311,142 | 0 | 0 | 0 | 311,142 | 312,142 | 0 | 0 | 0 | 312,142 | 311,142 | 0 | (1,000) | (1,000) | 311,142 |
| Infrastructure - dams | 664,870 | 0 | 0 | 0 | 664,870 | 577,011 | 0 | 0 | 0 | 577,011 | 664,870 | 87,859 | 0 | 87,859 | 664,870 |
| Infrastructure - playground equipment | 86,870 | 0 | 0 | 0 | 86,870 | 15,470 | 0 | 0 | 0 | 15,470 | 86,870 | 71,400 | 0 | 71,400 | 86,870 |
| Infrastructure - other | 811,838 | 0 | 0 | 0 | 811,838 | 1,698,219 | 0 | 0 | 0 | 1,698,219 | 811,838 | 0 | (886,381) | (886,381) | 811,838 |
| | 32,654,985 | 3,170,662 | 0 | 3,170,662 | 35,825,647 | 36,971,563 | 530,024 | (4,846,602) | (4,316,578) | 32,654,985 | 32,654,985 | 530,024 | (4,846,602) | (4,316,578) | 32,654,985 |

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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued interest on long term borrowings
 Accrued salaries and wages
 Accrued expenditure
 FBT liability
 PAYG liability

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| | 295,630 | 92,665 |
| | 3,440 | 3,510 |
| | 11,325 | 8,965 |
| | 2,077 | 7,588 |
| | 8,215 | 9,060 |
| | 97,170 | 43,671 |
| | 417,857 | 165,459 |

SIGNIFICANT ACCOUNTING POLICIES

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

Trade and other payables (Continued)

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 2018

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

| Particulars | Borrowing Institution | Interest Rate % | Principal 1 July 2017 \$ | New Loans \$ | Principal Repayments | | Principal 30 June 2018 | | Interest Incurred | |
|-----------------------------|-----------------------|-----------------|--------------------------|--------------|----------------------|-----------|------------------------|-----------|-------------------|-----------|
| | | | | | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Housing | | | | | | | | | | |
| Loan 133 - GEHA House | WATC | 6.55% | 70,621 | 0 | 34,156 | 34,156 | 36,465 | 35,366 | 3,993 | 4,600 |
| Loan 134 - 2 Broad Street | WATC | 6.20% | 49,838 | 0 | 24,158 | 24,158 | 25,680 | 25,680 | 1,994 | 3,389 |
| Loan 136 - 24 Harley Street | WATC | 3.93% | 332,137 | 0 | 12,500 | 12,501 | 319,637 | 319,636 | 14,041 | 12,931 |
| | | | 452,596 | 0 | 70,814 | 70,815 | 381,782 | 380,682 | 20,028 | 20,920 |

All loan repayments were financed by general purpose revenue.

Borrowings

| | 2018 \$ | 2017 \$ |
|-------------|----------------|----------------|
| Current | 75,142 | 70,815 |
| Non-current | 306,640 | 381,781 |
| | <u>381,782</u> | <u>452,596</u> |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18
 The Shire did not take up any new debentures during the year ended 30 June 2018.

(b) Unspent Borrowings
 The Shire did not have any unspent debentures as at 30 June 2018.

(b) Undrawn Borrowing Facilities
 Credit Standby Arrangements
 Bank overdraft limit
 Bank overdraft at balance date
 Credit card limit
 Credit card balance at balance date
 Total amount of credit unused

Loan facilities
 Loan facilities - current
 Loan facilities - non-current
 Total facilities in use at balance date

Unused loan facilities at balance date

| | 2018 | 2017 |
|--|---------|---------|
| | \$ | \$ |
| | 0 | 800,000 |
| | 0 | 0 |
| | 15,000 | 15,000 |
| | (250) | (3,350) |
| | 14,750 | 811,650 |
| | | |
| | 75,142 | 70,815 |
| | 306,640 | 381,781 |
| | 381,782 | 452,596 |
| | NIL | NIL |

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

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

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.

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.

13. PROVISIONS

| | Provision for Annual Leave | Provision for Long Service Leave | Total |
|--|----------------------------------|--|----------|
| | \$ | \$ | \$ |
| Opening balance at 1 July 2017 | | | |
| Current provisions | 144,795 | 239,867 | 384,662 |
| Non-current provisions | 0 | 26,386 | 26,386 |
| | 144,795 | 266,253 | 411,048 |
| Additional provision | 30,993 | 0 | 30,993 |
| Amounts used | 0 | (66,275) | (66,275) |
| Increase in the discounted amount arising because of time and the effect of any change in the discounted or inflation rate | (388) | (6,351) | (6,739) |
| Balance at 30 June 2018 | 175,400 | 193,627 | 369,027 |
| Comprises | | | |
| Current | 175,400 | 153,449 | 328,849 |
| Non-current | 0 | 40,178 | 40,178 |
| | 175,400 | 193,627 | 369,027 |

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

Other long-term employee benefits (Continued)

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.

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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14. NOTES TO THE STATEMENT OF CASH FLOWS

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:

| | 2018 Actual | 2018 Budget | 2017 Actual |
|--|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Cash and cash equivalents | 6,332,038 | 5,460,704 | 7,138,224 |
| Reconciliation of Net Cash Provided By Operating Activities to Net Result | | | |
| Net result | (624,285) | (1,275,627) | 2,743,823 |
| Non-cash flows in Net result: | | | |
| Depreciation | 1,713,120 | 1,463,496 | 1,470,054 |
| (Profit)/loss on sale of asset | 284 | (13,000) | 41,439 |
| Loss on revaluation of fixed assets | 0 | 0 | (18,667) |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in receivables | (598,388) | 152,500 | 704,191 |
| (Increase)/decrease in inventories | (13,728) | 0 | 217 |
| Increase/(decrease) in payables | 252,398 | 303,000 | (192,702) |
| Increase/(decrease) in provisions | (42,021) | 0 | 27,986 |
| Grants contributions for the development of assets | (957,985) | (1,017,064) | (2,265,831) |
| Net cash from operating activities | (270,605) | (386,695) | 2,510,510 |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2018 | 2017 |
|-----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Governance | 960,186 | 551,238 |
| General purpose funding | 581,497 | 503,965 |
| Law, order, public safety | 447,465 | 643,256 |
| Health | 723,217 | 743,891 |
| Education and welfare | 543,899 | 559,500 |
| Housing | 3,924,939 | 3,946,813 |
| Community amenities | 3,094,702 | 3,178,802 |
| Recreation and culture | 13,715,097 | 14,114,304 |
| Transport | 41,036,538 | 36,615,357 |
| Economic services | 9,936,865 | 10,628,568 |
| Other property and services | 1,950,871 | 2,175,901 |
| Unallocated | 789,110 | 1,356,851 |
| | <u>77,704,386</u> | <u>75,018,446</u> |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

16. CONTINGENT LIABILITIES

The Shire of Morawa has in compliance with Section 11 of the *Contaminated Sites Act 2003* 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 DWER 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 DWER guidelines.

Old Morawa Hospital

The Shire was granted a management order over Reserve 52057 on 22 April 2015 (the Old Hospital Site). The buildings on the site are in a state of disrepair, and it is assumed, include asbestos containing materials (ACM's) within the buildings' fabric.

The Shire has been working with the Department of Planning Lands and Heritage (the Department) regarding the future ownership for the old hospital. The Department will first need to consider whether native title rights and interests have been extinguished over the whole or portion of the subject reserve.

Upon confirming the native title status for Reserve 52057, both the Shire and the Department will consider the options which include:

- The subject reserve remains with the Shire with an undertaking that the building is demolished or
- The Shire surrenders its management order and the subject land is placed with the Department's Land Asset Sales Program for divestment.

17. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

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

(b) Operating Lease Commitments

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

SIGNIFICANT ACCOUNTING POLICIES

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 of 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.

Leases (Continued)

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 on a straight line basis over the lease term.

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 2018**

18. JOINT ARRANGEMENTS

The Shire of Morawa has entered into a joint arrangement, based on a Deed of Trust, 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 of this joint arrangement. All revenue and expenditure, as well as liabilities, of the joint arrangement are recognised in the relevant financial statements of Council.

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| | \$ | \$ |
| Non-current assets | | |
| Land and buildings | 3,260 | 3,260 |
| Less: accumulated depreciation | (76) | 0 |
| | 3,184 | 3,260 |

SIGNIFICANT ACCOUNTING POLICIES

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.

In joint arrangements joint operators maintain direct interests in each asset and exposure to each liability of the arrangement, unless otherwise varied contractually.

Interests in joint arrangements (Continued)

The Shire's interests in the assets, liabilities, revenue and expenses of joint arrangements are included in the respective line items of the financial statements.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

| | 2018 Actual | 2018 Budget | 2017 Actual |
|--|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| The following fees, expenses and allowances were paid to council members and/or the President. | | | |
| Meeting Fees | 61,717 | 64,000 | 64,000 |
| President's allowance | 16,750 | 17,000 | 17,000 |
| Deputy President's allowance | 4,250 | 4,250 | 4,250 |
| Travelling expenses | 0 | 200 | 0 |
| Telecommunications allowance | 0 | 1,500 | 522 |
| | <u>82,717</u> | <u>86,950</u> | <u>85,772</u> |

Key Management Personnel (KMP) Compensation Disclosure

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| The total of remuneration paid to KMP of the Shire during the year are as follows: | | |
| Short-term employee benefits | 421,980 | 491,085 |
| Post-employment benefits | 55,408 | 63,711 |
| Other long-term benefits | 37,059 | 103,936 |
| Termination benefits | <u>161,137</u> | <u>0</u> |
| | <u>675,584</u> | <u>658,732</u> |

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

| The following transactions occurred with related parties: | 2018 | 2017 |
|---|---------|---------|
| | \$ | \$ |
| Purchase of goods and services | 358,035 | 316,500 |
| Amounts outstanding from related parties: | | |
| Elected Members - rates | 58,790 | 0 |
| Amounts payable to related parties: | | |
| Trade and other payables | 1,971 | 0 |
| Elected Members - fees and allowances | 20,046 | 0 |

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Joint arrangements accounted for under the proportionate consolidation method

The Shire has a 2% interest in the supply of single person accommodation with Homeswest. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 18.

20. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017/2018 financial year.

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution | Opening | Received ⁽²⁾ | Expended ⁽³⁾ | Closing | Received ⁽²⁾ | Expended ⁽³⁾ | Closing |
|---|-----------------------------------|-------------------------|-------------------------|------------------------------------|-------------------------|-------------------------|---------------------|
| | Balance ⁽¹⁾ 1/07/16 | 2016/17 | 2016/17 | Balance ⁽¹⁾ 30/06/17 | 2017/18 | 2017/18 | Balance 30/06/18 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Governance | | | | | | | |
| Department of Infrastructure - Stronger Communities | 0 | 0 | 0 | 0 | 20,000 | 0 | 20,000 |
| Recreation and culture | | | | | | | |
| Dept of Sport & Recreation - Swimming Pool | 32,000 | 0 | 0 | 32,000 * | 0 | (32,000) | 0 |
| Dept of Sport & Recreation - Kidsport | 0 | 5,000 | (1,499) | 3,501 | 0 | 0 | 3,501 |
| Transport | | | | | | | |
| Roads to Recovery - Auslink | 360,659 | 593,566 | (836,831) | 117,394 @ | 513,898 | (511,597) | 119,695 @ |
| Economic services | | | | | | | |
| Morawa Community Trust | 54,705 | 33,331 | 0 | 88,036 * | 38,594 | 0 | 126,630 * |
| Midwest Sinosteel - Morawa Future Funds | 925,000 | 0 | 0 | 925,000 * | 0 | 0 | 925,000 * |
| Midwest Corp - Road Funds | 244,234 | 0 | 0 | 244,234 * | 0 | 0 | 244,234 * |
| Power Project | 550,687 | 8,279 | 0 | 558,966 * | 5,464 | (564,430) | 0 |
| RDL - Super Towns - Morawa Revitalisation | 148,797 | 0 | (81,170) | 67,627 * | 0 | (67,627) | 0 |
| MWIP - Super Towns - Morawa Revitalisation | 40,505 | 2,612 | 0 | 43,117 * | 0 | (43,117) | 0 |
| Other property and services | | | | | | | |
| Water Corporation - Revegetation Funds | 12,358 | 209 | 0 | 12,567 * | 233 | 0 | 12,800 * @ |
| Total | 2,368,945 | 642,997 | (919,500) | 2,092,442 | 578,189 | (1,218,771) | 1,451,860 |

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

22. 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, or returned to the contributor, in the current reporting period in the manner specified by the contributor.
- (*) - All or part of these unspent contributions were held in reserve funds as at 30 June 2017 and 30 June 2018.
- (@) - At 30 June 2017 and 30 June 2018 the Shire had committed this funding for use in accordance with the funding agreement.

Disclosed as follows:

- Restricted Cash (Note 3)
- Unspent Grants and Contributions Reserve (Note 3)
- Morawa Community Trust Reserve (Note 3)
- Morawa Community Future Funds Reserve (Note 3)
- Super Towns - North Midlands Solar Thermal Power Reserve (Note 3)
- Super Towns - Morawa Revitalisation Reserve (Note 3)

| 2018 | 2017 |
|------------------|------------------|
| \$ | \$ |
| 143,196 | 120,895 |
| 12,800 | 87,684 |
| 126,630 | 88,036 |
| 1,169,234 | 1,169,234 |
| 0 | 558,966 |
| 0 | 67,627 |
| 1,451,860 | 2,092,442 |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION

(a) Rates

| RATE TYPE | Rate in \$ | Number of Properties | Rateable Value \$ | Rate Revenue \$ | Interim Rates \$ | Back Rates \$ | 2018 | | 2017 | | Budget Interim Rate \$ | Budget Back Rate \$ | Budget Total Revenue \$ |
|---|------------|----------------------|-------------------|-----------------|------------------|---------------|------------------|------------------|------------------------|------------------------|------------------------|---------------------|-------------------------|
| | | | | | | | Total Revenue \$ | Total Revenue \$ | Budget Rate Revenue \$ | Budget Rate Revenue \$ | | | |
| Gross rental valuations | | | | | | | | | | | | | |
| Residential/Commercial | 0.075707 | 268 | 2,807,436 | 212,543 | (1,296) | 0 | 211,247 | 216,691 | 214,220 | 0 | 0 | 0 | 214,220 |
| Unimproved valuations | | | | | | | | | | | | | |
| Rural | 0.023043 | 202 | 63,004,000 | 1,451,801 | (1,104) | 0 | 1,450,697 | 1,306,842 | 1,451,801 | 0 | 0 | 0 | 1,451,801 |
| Mining | 0.289681 | 15 | 472,333 | 136,826 | 276 | 0 | 137,102 | 136,014 | 136,826 | 0 | 0 | 0 | 136,826 |
| Sub-Total | | 485 | 66,283,769 | 1,801,170 | (2,124) | 0 | 1,799,046 | 1,659,547 | 1,802,847 | 0 | 0 | 0 | 1,802,847 |
| Minimum payment | \$ | | | | | | | | | | | | |
| Gross rental valuations | | | | | | | | | | | | | |
| Residential/Commercial | 290 | 46 | 27,078 | 13,340 | 0 | 0 | 13,340 | 13,392 | 13,050 | 0 | 0 | 0 | 13,050 |
| Unimproved valuations | | | | | | | | | | | | | |
| Rural | 290 | 6 | 53,200 | 1,740 | 0 | 0 | 1,740 | 1,953 | 1,740 | 0 | 0 | 0 | 1,740 |
| Mining | 656 | 11 | 11,311 | 7,216 | 0 | 0 | 7,216 | 7,216 | 7,216 | 0 | 0 | 0 | 7,216 |
| Sub-Total | | 63 | 91,589 | 22,296 | 0 | 0 | 22,296 | 22,561 | 22,006 | 0 | 0 | 0 | 22,006 |
| Discounts/concessions (refer note 23(d)) | | 548 | 66,375,358 | 1,823,466 | (2,124) | 0 | 1,821,342 | 1,682,108 | 1,824,853 | 0 | 0 | 0 | 1,824,853 |
| Total amount raised from general rate | | | | | | | <u>(37,696)</u> | <u>(27,879)</u> | | | | | <u>(28,000)</u> |
| Ex-gratia rates | | | | | | | 1,783,646 | 1,654,229 | | | | | 1,796,853 |
| Movement in Excess Rates | | | | | | | 5,914 | 5,792 | | | | | 5,792 |
| Rates Written Off | | | | | | | 23,675 | 5,741 | | | | | 0 |
| Totals | | | | | | | <u>(3,918)</u> | <u>(1,625)</u> | | | | | <u>(2,000)</u> |
| | | | | | | | 1,809,317 | 1,664,137 | | | | | 1,800,645 |

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION (Continued)

(b) Sewerage Rate (Section 41 Health Act)

| Charge type | Number of Properties | Minimum Rate | Rate in \$ | Rateable Value | Revenue | Interim Rate Revenue | Back Rate Revenue | 2018 | | 2017 | | 2018 Total Sewerage Revenue | 2018 Budget Rate Revenue | 2018 Budget Back Rate Revenue | 2018 Interim Rate Revenue | 2018 Budget Rate Revenue | 2018 Total Budget Revenue | |
|--|----------------------|--------------|------------|----------------|---------|----------------------|-------------------|-----------------------------|-----------------------------|---------|---|-----------------------------|--------------------------|-------------------------------|---------------------------|--------------------------|---------------------------|---|
| | | | | | | | | Total Sewerage Rate Revenue | Total Sewerage Rate Revenue | | | | | | | | | |
| Sewerage rate - general | | | | | | | | | | | | | | | | | | |
| Sewerage Levy Residential | 221 | 7.2391 | 7.2391 | 2,129,556 | 154,161 | (348) | 0 | 153,813 | 151,456 | 156,000 | 0 | 156,000 | 0 | 0 | 0 | 0 | 156,000 | 0 |
| Sewerage Levy Commercial | 13 | 7.2391 | 7.2391 | 376,324 | 27,242 | (922) | 0 | 26,320 | 40,898 | 42,125 | 0 | 42,125 | 0 | 0 | 0 | 0 | 42,125 | 0 |
| | | | | 2,505,880 | 181,403 | (1,270) | 0 | 180,133 | 192,354 | 198,125 | 0 | 198,125 | 0 | 0 | 0 | 0 | 198,125 | 0 |
| Sewerage rate - minimum | | | | | | | | | | | | | | | | | | |
| Sewerage Levy Residential | 9 | 348.60 | 348.60 | 16,020 | 3,137 | 0 | 0 | 3,137 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewerage Levy Commercial | 11 | 821.00 | 821.00 | 86,744 | 9,031 | 0 | 0 | 9,031 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | 102,764 | 12,168 | 0 | 0 | 12,168 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewerage charges | | | | | | | | | | | | | | | | | | |
| Sewerage - Vacant Land | 33 | 247.00 | 247.00 | 8,151 | 8,151 | (247) | 0 | 7,904 | 7,923 | 8,398 | 0 | 8,398 | 0 | 0 | 0 | 0 | 8,398 | 0 |
| Sewerage - Fixture - Non-rateable property | 11 | 779.80 | 779.80 | 8,578 | 8,578 | (780) | 0 | 7,798 | 8,493 | 8,578 | 0 | 8,578 | 0 | 0 | 0 | 0 | 8,578 | 0 |
| Sewerage - Additional Fixture - Non-rateable | 94 | 485.00 | 485.00 | 45,590 | 45,590 | 0 | 0 | 45,590 | 45,117 | 45,590 | 0 | 45,590 | 0 | 0 | 0 | 0 | 45,590 | 0 |
| | | | | 62,319 | (1,027) | 0 | 0 | 61,292 | 61,533 | 62,566 | 0 | 62,566 | 0 | 0 | 0 | 0 | 62,566 | 0 |
| | | | | 255,890 | (2,297) | 0 | 0 | 253,593 | 253,887 | 260,691 | 0 | 260,691 | 0 | 0 | 0 | 0 | 260,691 | 0 |

| Sewerage rate | Areal/properties Rate Imposed | Rate Applied to Costs | Rate Set Aside to Reserve | Reserve Applied to Costs | Budget Rate Applied to Costs | Budget Reserve Applied to Costs |
|---------------------------|---|-----------------------|---------------------------|--------------------------|------------------------------|---------------------------------|
| Sewerage Levy and Charges | To service and maintain the Shire of Morawa Sewerage system | 175,942 | 2,410 | 0 | 212,223 | 70,000 |
| | Morawa - non-rateable properties connected to the Morawa Sewerage system. | | | | 34,528 | 70,000 |
| | | 175,942 | 2,410 | 0 | 212,223 | 70,000 |

(c) Service Charges
 The Shire of Morawa did not levy any Service Charges during 2017/18.

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION (Continued)

(d) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts

| Rate or Fee Discount Granted | Discount % | 2018 Actual \$ | 2017 Actual \$ | 2018 Budget \$ | Circumstances in which Discount is Granted |
|--|---------------|----------------------|----------------------|----------------------|---|
| General Rates | 2.50% | 37,696 | 27,879 | 28,000 | A discount of 2.50% of the current rates levied (excluding Rubbish and ESL) was offered to rate payers whose payment of the full amount owing, including arrears, and service charges is received on or before Tuesday 3rd October 2017 or 35 days after the date of service appearing on the rate notice, whichever was the later. |
| Waivers or Concessions | | 37,696 | 27,879 | 28,000 | |
| Rate or Fee and Charge to which the Waiver or Concession is Granted | Type | 2018 Actual \$ | 2017 Actual \$ | 2018 Budget \$ | |
| Rates Assessment | Write-off | 3,918 | 1,625 | 2,000 | |
| | | 3,918 | 1,625 | 2,000 | |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

23. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

| Instalment Options | Date Due | Instalment Plan | | Instalment Plan Interest Rate % | Unpaid Rates Interest | |
|-----------------------------|------------|-----------------|---------------|---------------------------------|-----------------------|---------------|
| | | Admin Charge \$ | % | | Rate | % |
| Option One | | | | | | |
| Single full payment | 03/10/2017 | | | | | 5.50% |
| Option Two | | | | | | |
| First instalment | 03/10/2017 | | | | | 5.50% |
| Second instalment | 05/02/2018 | 5 | 5.50% | | | 5.50% |
| Option Three | | | | | | |
| First instalment | 03/10/2017 | | | | | 5.50% |
| Second instalment | 04/12/2017 | 5 | 5.50% | | | 5.50% |
| Third instalment | 05/02/2018 | 5 | 5.50% | | | 5.50% |
| Fourth instalment | 05/04/2018 | 5 | 5.50% | | | 5.50% |
| | | 2018 | 2017 | | 2018 | Budget |
| | | \$ | \$ | | \$ | \$ |
| Interest on unpaid rates | | 28,582 | 60,156 | | 25,000 | |
| Interest on instalment plan | | 1,243 | 3,423 | | 3,500 | |
| Charges on instalment plan | | 585 | 970 | | 1,000 | |
| | | <u>30,410</u> | <u>64,549</u> | | <u>29,500</u> | |

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

24. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

| | 2018 (30 June 2018 Carried Forward) \$ | 2018 (1 July 2017 Brought Forward) \$ | 2017 (30 June 2017 Carried Forward) \$ |
|--|--|---|--|
| Surplus/(Deficit) 1 July 17 brought forward | 1,413,167 | 558,948 | 558,948 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | | |
| Unrestricted | 514,845 | 20,190 | 20,190 |
| Restricted | 5,817,193 | 7,118,034 | 7,118,034 |
| Receivables | | | |
| Rates outstanding | 558,537 | 487,406 | 487,406 |
| Sundry debtors | 71,409 | 48,351 | 48,351 |
| GST receivable | 164,167 | 36,534 | 36,534 |
| Accrued income | 491,349 | 114,161 | 114,161 |
| Provision for doubtful debts | (7,746) | (723) | (723) |
| Inventories | | | |
| Fuel and materials | 14,846 | 1,118 | 1,118 |
| LESS: CURRENT LIABILITIES | | | |
| Trade and other payables | | | |
| Sundry creditors | (295,630) | (92,665) | (92,665) |
| Accrued interest on long term borrowings | (3,440) | (3,510) | (3,510) |
| Accrued salaries and wages | (11,325) | (8,965) | (8,965) |
| Accrued expenditure | (2,077) | (7,588) | (7,588) |
| FBT liability | (8,215) | (9,060) | (9,060) |
| PAYG liability | (97,170) | (43,671) | (43,671) |
| Current portion of long term borrowings | (75,142) | (70,815) | (70,815) |
| Provisions | | | |
| Provision for annual leave | (175,400) | (144,795) | (144,795) |
| Provision for long service leave | (153,449) | (239,867) | (239,867) |
| Unadjusted net current assets | 6,802,752 | 7,204,135 | 7,204,135 |
| Adjustments | | | |
| Less: Reserves - restricted cash | (5,673,997) | (6,997,139) | (6,997,139) |
| Add: Current portion of long term borrowings | 75,142 | 70,815 | 70,815 |
| Add: Component of leave liability not required to be funded | 209,270 | 281,137 | 281,137 |
| Adjusted net current assets - surplus/(deficit) | 1,413,167 | 558,948 | 558,948 |

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. 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 | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 6,332,038 | 7,138,224 | 6,332,038 | 7,138,224 |
| Receivables | 1,300,676 | 702,288 | 1,300,676 | 702,288 |
| | <u>7,632,714</u> | <u>7,840,512</u> | <u>7,632,714</u> | <u>7,840,512</u> |
| Financial liabilities | | | | |
| Payables | 417,857 | 165,459 | 417,857 | 165,459 |
| Borrowings | 381,782 | 452,596 | 402,428 | 480,965 |
| | <u>799,639</u> | <u>618,055</u> | <u>820,285</u> | <u>646,424</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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*.

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash | \$ | \$ |
| - Equity | 67,851 | 68,104 |
| - Statement of Comprehensive Income | 67,851 | 68,104 |

Notes:

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

25. 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:

| | 2018 | 2017 |
|---|-------------|-------------|
| Percentage of rates and annual charges | % | % |
| - Current | 0% | 0% |
| - Overdue | 100% | 100% |
| Percentage of other receivables | | |
| - Current | 70% | 70% |
| - Overdue | 30% | 30% |
| Rates outstanding | | |
| Includes: | | |
| Past due and not impaired | 577,576 | 503,965 |
| Impaired | 3,921 | 0 |
| The table illustrates the rates outstanding aging analysis (including non current pensioners) | | |
| Up to one year | 283,897 | 284,224 |
| One to three years | 151,872 | 121,959 |
| Three or more years | 145,728 | 97,782 |
| Sundry debtors | | |
| Includes: | | |
| Past due and not impaired | 67,584 | 47,628 |
| Impaired | 3,825 | 723 |
| The table illustrates the sundry debtors aging analysis | | |
| Up to one moth | 11,209 | 29,339 |
| One to three months | 6,033 | 7,591 |
| Three or more months | 54,167 | 11,421 |

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. 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 Table below:

| | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying values |
|-------------|-------------------|-------------------------|-------------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2018 | | | | | |
| Payables | 417,857 | 0 | 0 | 417,857 | 417,857 |
| Borrowings | 91,024 | 101,729 | 317,903 | 510,656 | 381,782 |
| | 508,881 | 101,729 | 317,903 | 928,513 | 799,639 |
| 2017 | | | | | |
| Payables | 165,459 | 0 | 0 | 165,459 | 165,459 |
| Borrowings | 91,024 | 167,320 | 343,335 | 601,679 | 452,596 |
| | 256,483 | 167,320 | 343,335 | 767,138 | 618,055 |

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:

| Year ended 30 June 2018 | <1 year | >1<2 years | >2<3 years | >3<4 years | >4<5 years | >5 years | Total | Weighted Average Effective Interest Rate |
|--|---------|------------|------------|------------|------------|----------|---------|--|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Long term borrowings | 62,145 | 0 | 0 | 0 | 0 | 319,637 | 381,782 | 4.33% |
| Weighted average Effective interest rate | 6.41% | | | | | 3.93% | | |
| Year ended 30 June 2017 | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed rate | | | | | | | | |
| Long term borrowings | 0 | 120,458 | 0 | 0 | 0 | 332,138 | 452,596 | 4.62% |
| Weighted average Effective interest rate | | 6.51% | | | | 3.93% | | |

SHIRE OF MORAWA
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2018

26. 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 2017 | Amounts Received | Amounts Paid | 30 June 2018 |
|-----------------------------|---------------|------------------|--------------|---------------|
| | \$ | \$ | \$ | \$ |
| Housing Bonds | 2,000 | 3,108 | 0 | 5,108 |
| Bonds Hall/Rec Centre Hire | 100 | 1,250 | 0 | 1,350 |
| Youth Centre | 865 | 0 | 0 | 865 |
| Daphne Little - Excess rent | 1,704 | 0 | 0 | 1,704 |
| Council Nominations | 0 | 480 | (80) | 400 |
| Haulmore Trailers Land Dep | 4,641 | 0 | 0 | 4,641 |
| Local Drug Action Group | 661 | 0 | 0 | 661 |
| Bonds Dreghorn Units | 1,164 | 0 | 0 | 1,164 |
| Bonds Aged Care Units | 1,266 | 1,746 | (200) | 2,812 |
| BCITF/BRB Training Levy | 1,818 | 1,411 | (3,628) | (399) |
| Morawa Oval Function Centre | 1,762 | 500 | 0 | 2,262 |
| | <u>15,981</u> | | | <u>20,568</u> |

27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

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

Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

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

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27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

| Title | Issued / Compiled | Applicable (1) | Impact |
|--|-------------------|----------------|---|
| (iv) AASB 1058 Income of Not-for-Profit Entities | December 2016 | 1 January 2019 | <p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. |

Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

- | | |
|---|----------------|
| (i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities | 1 January 2017 |

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operating 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 or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

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

d) 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 statements that has a material effect on the statement of financial position, 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.

e) 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.

f) 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.

g) Fair value of assets and liabilities

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.

h) 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.

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 the service capacity of an asset.

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.

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised 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 specialised assets that are measured under the revaluation model such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

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29. ACTIVITIES/PROGRAMS

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

| PROGRAM NAME | OBJECTIVE | ACTIVITIES |
|------------------------------------|--|--|
| GOVERNANCE | To manage Council's finances | Includes Rates, Loans, Investments & Grants. |
| GENERAL PURPOSE FUNDING | To manage Council's finances | Includes Members of Council, Civic Functions and Public Relations, Council Elections, Training/Education. |
| LAW, ORDER, PUBLIC SAFETY | To provide, develop & manage services in response to community needs. | Includes Emergency Services & Animal Control. |
| HEALTH | To provide, develop & manage services in response to community needs. | Includes Environmental Health, Medical & Health facilities. |
| EDUCATION AND WELFARE | To provide, develop & manage services in response to community needs. | Includes Education, Welfare & Children's Services. |
| HOUSING | To ensure quality housing and appropriate infrastructure is maintained. | Includes Staff & Other Housing. |
| COMMUNITY AMENITIES | To provide, develop & manage services in response to community needs. | Includes Refuse Collection, Sewerage, Cemetery, Building Control, Town Planning & Townscape. |
| RECREATION AND CULTURE | To ensure the recreational & cultural needs of the community are met. | Includes Pools, Halls, Library, Oval, Parks & Gardens & Recreational Facilities. |
| TRANSPORT | To effectively manage transport infrastructure. | Includes Roads, Footpaths, Private Works, Machine Operating Costs, Outside Wages & Airstrip. |
| ECONOMIC SERVICES | To foster economic development, tourism & rural services in the district. | Includes Tourism, Rural Services, Economic Development & Caravan Park. |
| OTHER PROPERTY AND SERVICES | To provide control accounts and reporting facilities for all other operations. | Includes Private Works, Public Works Overheads, Plant Operating Costs, Administration Overheads and Unclassified Items |

SHIRE OF MORAWA
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30. FINANCIAL RATIOS

| | 2018 | 2017 | 2016 |
|-----------------------------------|--------|-------|--------|
| Current ratio | 2.95 | 1.75 | 2.21 |
| Asset consumption ratio | 0.52 | 0.54 | 0.51 |
| Asset renewal funding ratio | 0.87 | 0.90 | 0.67 |
| Asset sustainability ratio | 0.64 | 1.89 | 0.99 |
| Debt service cover ratio | 1.66 | 22.76 | (1.92) |
| Operating surplus ratio | (0.54) | 0.19 | 0.67 |
| Own source revenue coverage ratio | 0.42 | 0.34 | 0.39 |

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 consumption ratio | $\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$ |
| Asset renewal funding ratio | $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$ |
| 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 | $\frac{\text{own source operating revenue}}{\text{operating expenses}}$ |

31. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of grants from State and Federal Government.
The total of grant revenue from government sources is disclosed with the income statement.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Morawa

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Morawa which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Morawa:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the *Local Government (Financial Management) Regulations 1996* (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996* I report that:

- (i) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law were identified during the course of my audit:
 - a. For approximately 39% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.

- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 30 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Morawa for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

SANDRA LABUSCHAGNE
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 December 2018