

# Shire of Morawa

## Annual Report

### &

## Financial Statements

### For the Year ended

## 30 June 2014



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## President's Report 2013-2014

To the Ratepayers and Electors of the Morawa Shire I present The Shire of Morawa annual report for the financial year 2013-2014.

This year has, as in previous years, provided many interesting opportunities and challenges for Council in progressing Morawa's future.

We were successful in the recruitment of a permanent Chief Executive Officer. Mr John Roberts commenced on 3 June 2014. John has extensive experience in local government both in WA and the UK. John is a Certified Practising Account and a Justice of the Peace. We had the services of Lindsay Delahunty and Sean Fletcher as Acting Chief Executive Officers until John's appointment.

The Morawa Sports Complex building was redeveloped during the year by P S Chester & Son.

The official opening occurred on 9 December 2013. The total cost of the project was \$2,738,844. This complex was funded through the Shire Community Development Fund \$900,000, The Department of Sport and Recreation \$850,000, the MidWest Investment Plan (Royalties for Regions) \$850,000 and the Winter Sports Committee \$150,000. It is a terrific complex and will benefit the whole community for many years to come.

An Airport Master plan was prepared during the year. The Master plan provides the basis for the business cases which will be submitted to the Mid West Development Commission for a total funding of \$2.6m. If the funding is approved, the project which includes sealing of the main runway and should be completed in the first half of 2015.

The Shire awarded the contract for the construction of the freight road realignment in February 2014. The successful tenderer was WBHO Civil and the contract sum was \$2,032,569.63. The project commenced in March and was scheduled to be completed by July 2014. This project was jointly funded by SuperTowns and the Department of Regional Development.

Preparation of a new Local Planning Strategy and Planning Scheme commenced with the assistance of consultants TPG Town Planning Urban Design & Heritage. This is a lengthy process, up to 2 years, which is required to be undertaken every 5 years. The Morawa Town Centre Design Guidelines were adopted as a draft local planning policy.

The Local Planning Strategy and Planning Scheme are designed to be broad enough to deliver the visions of the Morawa Growth and Implementation Plan. Morawa's identification as a Super Town and the Growth and Implementation Plan has been developed to offer more opportunities for people who choose to live in Morawa, the Shire and the region.

The Shire of Morawa in partnership with Landcorp completed the planned residential subdivision to continue to provide for the increase in residential land supply. The planned industrial subdivision will be reviewed again following the completion of the town centre revitalisation works in February 2015.

Sinosteel Midwest Corporation Limited ceased production at the Koolanooka / Blue Hills site, this and the removal of their accommodation village from Morawa had an impact on our budget. However Sinosteel Midwest continue to have a presence in Morawa and are currently working with the Shire in setting up the Morawa Future Fund.

The mining construction completion at Karara and the dramatic downturn in iron ore prices, from an historic high of \$187.18 in February 2011 to \$114.82 (June 2013) to \$92.74 in June 2014 has seen activities in the region slowed which is of concern to the expected expansion of Morawa.

The agricultural season of 2013/2014 was an average to below average season. The Shire continues to have a heavy reliance on the success of the agricultural industry. We need to continue to support this industry, in particular with a strategic approach to up-grading our roads to meet the transport needs of our farmers.

The Morawa Education & Industry Training Alliance (MEITA) continues to '*break new ground*' as the Shire, the Western Australian College of Education - Morawa, Durack Institute of Technology and Morawa District High School work in a collaborative partnership for the strategic benefit of the Morawa community in its efforts to revitalise the Morawa community through innovation and excellence in education service provision.

Financially the Shire of Morawa continued to support the youth and young adults in Morawa with funds being provided for the continued employment of a full time Community Youth Development Officer and a part time youth support worker. November 2013 saw the opening of the Skate Park, designed and constructed by Convic, who are a specialist design and construction company. The cost of the project was \$282,967.

Council resolved to take over the future management and control of the aged care accommodation. This was an ongoing process through the year that is unlikely to be concluded until February 2015 as a consequence of the time taken by the Department of Housing preparing new agreement

The Commission of Audit report was released in early May 2014 by the Federal Government. This report and its recommendations have potential devastating consequences to the Shire. One recommendation was the Commonwealth ending its funding to local government including Financial Assistance Grants (FAG) and Roads to Recovery (R2R) funding. FAGs provided to the Shire of Morawa are approximately \$1,500,000 each year with R2R grants contributing on average another \$270,000 annually.

Following the release of the Commission of Audit report the Federal Government announced in the 2014/15 Budget that the Financial Assistance Grants would not be indexed for the periods 2014/15 to 2016/17. The impact to the Shire over this period is estimated to be \$322,000. As a consequence of this shortfall Council are reviewing the costs of all its programs and services. Council also is continuing to actively lobby for the reinstatement of indexation.

Thank you to all Councillors and Council staff for their support and tireless hard work during this time of excitement and change for the Morawa community. This year has again been a period of marvellous achievement for the Morawa community as we continue to strive and position ourselves for the future.

Cr Karen Chappel JP  
**Shire President**

## Chief Executive Officer's Report 2013-2014

I am pleased to submit the Chief Executive Officer's report to the residents of the Shire of Morawa on the activities of the Shire for the year ended 30<sup>th</sup> June 2014.

Agriculture in the Shire was again favourable and Morawa is continuing to experience growth prospects as mining developments for Sinosteel Midwest Corporation Ltd progresses into a new and exciting production phase.

Karara Mining continued to provide benefits to the community with:

- The Shire of Morawa made a \$50,000 cash contribution towards the setup costs of a mobile dental clinic, in conjunction with the Royal Flying Doctor Service (RFDS), to service the four primary communities located in the North Midlands, including Morawa.

Other mining groups are planning development in the years to come.

Major achievements this year included:-

- ✓ Commencement of the \$5.5 million Morawa (Super Town) Town site Revitalisation Project with the start of the Winfield Street realignment. The Town Square project will commence in 2014/15 following the completion of the road realignment.
- ✓ Ongoing development of the Morawa Education & Industry Training Alliance (MEITA) towards consolidation of its strategic direction and engagement of local miners for enhancing education in Morawa.
- ✓ Completion by Land Corp of a staged subdivision in White Avenue, with 8 Lots being completed.
- ✓ \$2.74 million Morawa Greater Sports Ground Redevelopment Project Contract was completed.
- ✓ The Skate Park construction was completed, \$287,870.
- ✓ Commencement of a \$364,000 Morawa Refuse Transfer Station Project with the drafting of the Strategic Waste Management Plan.
- ✓ Work commenced on preparing a Aerodrome Strategic Management Plan. This plan will be used to underpin applications for funding of the aerodrome upgrade that includes a bitumen seal of the main runway.
- ✓ The Shire allocated funds from its Plant Reserve to purchase new plant equipment for the year. These plant acquisitions included:-
  - Works Supervisor utility \$40,482
  - Works construction utility \$40,047
  - Survey Vehicle (Main Road WA Contract) \$45,517
  - 10,000 litre diesel tank \$24,450

The Shire undertook a number of smaller projects during 2013/14 year. These included:-

- Final works on the Aged Care Facility \$49,785

• Shire housing upgrades	\$26,292
• Sewerage Ponds desludging	\$51,849

The Shire of Morawa has, again, received a positive Management Report from our Independent auditors UHY Haines Norton. The report however comments that ratios in three areas need to be monitored closely as detailed in the included reports ie the Operating Surplus Ratio, Asset Renewal Funding ratio and the Asset Consumption ratio.

Major road-works completed for the 2013/2014 financial year include:-

The Shire committed to a substantial road construction and maintenance program for the year. The major road construction / improvement activities occurred on the following road links:-

Rural:

• Gutha West Road	\$39,418
• Barnes Road	\$17,086
• Morawa Three Springs Road	\$426,644
• Morawa Yalgoo Road	\$315,097
• Locharda Road	\$92,000

Townsite:

• Gill Street	\$52,026
• Davis Street	\$18,500
• Granville Street	\$20,000
• New Airport Road	\$109,250

Footpaths

• Yewers Avenue	\$29,193
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Shire road maintenance of \$371,210 and Town Streets maintenance of \$55,919 was also completed during the year.

#### Administration

The Shire had some changes in works crew staff and staff in the Shire administration centre.

#### Implementing National Competition Policy

##### Competitive Neutrality

The Shire of Morawa does not have any Significant Business Activities that have been declared a PTE or an FTE by the Australian Bureau of Statistics.

### Structural Review of Public Monopolies

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

### Legislation Review

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

### Disability Services Act

The Shire of Morawa Disability Services Plan contains the following five major objectives:-

- Existing functions, facilities and services are to meet the needs of people with disabilities.
- Access to buildings and facilities are improved.
- Information about functions, facilities and services is provided in formats which meet the communication requirements of people with disabilities.
- Staff awareness of the needs of people with disabilities and skills in delivering advice and services are improved.
- Opportunities for people with disabilities to participate in public consultations, grievance mechanisms and decision making processes are provided.

This Disability Services Management Plan, as required by the Act, has been reviewed and updated during the 2013/14 financial year.

### State Records Act 2000

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

Council established a Record Keeping Plan which was adopted by Council and submitted to the State Records Commission in 2006. Council 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.

### Complaints and requests

Complaints and requests received by the Shire have been addressed in a timely manner subject to the availability of resources.

### Acknowledgements

I would like to take this opportunity to sincerely thank the Councillors, senior management team and entire Shire staff for their support and tireless dedication provided during the 2013-2014 year.

The Morawa Shire continues to achieve goals and outcomes way outside of its size and geographic location and this is directly reflective of the high professional standards and positive drive maintained by everyone in this organisation.

John Roberts  
**Chief Executive Officer**



## **FREEDOM OF INFORMATION ACT 1992**

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

### **1. 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 municipality. 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*

#### **Council**

Council's affairs are managed 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 Council.
- Develop comprehensive management plans, budgets, financial controls and performance objectives and indicators for the operations of Council.

The Council makes decisions which direct and/or determine its activities and functions. Such decisions include the approval of works and services to be undertaken, and the allocation of resources to works and services.

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

Ordinary meetings of Council are held on the third Thursday of each month commencing at 3:30pm. All members of the public are welcome to attend.

## **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,
- Mid West Regional Council
- Mid West Regional Road Group
- Yarra Yarra Catchment Regional Council
- North East Farming Futures Group
- Morawa Farm Improvement Group
- Occupational Health and Safety Committee
- Morawa Landcare Conservation District Committee
- Morawa Roadwise Committee
- Morawa District Fire Brigade
- Audit Committee
- Morawa Education Alliance

## **Standing Committees**

At present there is one standing Committee 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 have been recorded and actioned in a timely manner

## **Delegated Authority**

Under the *Local Government Act 1995*, Council is able to delegate many powers to either Committees or to the Chief Executive Officer. A Committee or 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 annually.

## 2. 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	Media releases	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	Traffic control works

## 3. Access to Council Documents

The following documents are available for inspection at the Council 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)
- Town Planning Scheme
- Electoral Rolls
- Financial Interest Register - Primary and Annual Returns, and Declarations

Requests for other information will be considered in accordance with the requirements of the *Freedom of Information Act 1992* and the *Local Government Act 1995*. Under the *Freedom of Information Act 1992*, an application fee and search fee must be submitted with the completed request form, unless the information is of a personal nature, or an exemption is granted.

Please contact the Shire of Morawa Administration Centre at the following address if you have a query regarding any of the above Freedom of Information Statement or if you would simply like more information:

Shire of Morawa Administration Centre

Winfield Street

(PO Box 14)

Morawa WA 6623

Telephone: (08) 9971 1204

Facsimile: (08) 9971 1284

Email: [admin@morawa.wa.gov.au](mailto:admin@morawa.wa.gov.au)

Some documents may also be accessed through the Shire of Morawa web site on [www.morawa.wa.gov.au](http://www.morawa.wa.gov.au).

**SHIRE OF MORAWA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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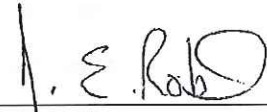
**SHIRE OF MORAWA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Morawa being the annual financial report and other information for the financial year ended 30th June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Morawa at 30th June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 27 day of NOVEMBER, 2014



John Roberts  
Chief Executive Officer

**SHIRE OF MORAWA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	22	1,289,439	1,369,709	1,339,814
Operating Grants, Subsidies and Contributions	28	961,530	1,322,198	1,977,826
Fees and Charges	27	873,885	935,769	992,380
Interest Earnings	2(a)	253,900	341,500	387,619
Other Revenue		407,789	153,055	880,896
		<u>3,786,543</u>	<u>4,122,231</u>	<u>5,578,535</u>
<b>Expenses</b>				
Employee Costs		(1,691,207)	(1,824,760)	(1,538,402)
Materials and Contracts		(1,281,845)	(2,189,261)	(1,490,929)
Utility Charges		(335,684)	(296,608)	(291,578)
Depreciation on Non-Current Assets	2(a)	(1,363,965)	(1,136,985)	(1,169,328)
Interest Expenses	2(a)	(22,402)	(23,618)	(26,248)
Insurance Expenses		(243,721)	(186,586)	(235,113)
Other Expenditure		(103,890)	(619,274)	(58,376)
		<u>(5,042,714)</u>	<u>(6,277,092)</u>	<u>(4,809,974)</u>
		(1,256,171)	(2,154,861)	768,561
<b>Non-Operating Grants, Subsidies and Contributions</b>				
	28	4,095,091	6,038,915	1,165,461
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	(18,667)	0	0
Profit on Asset Disposals	20	14,842	11,001	0
Loss on Asset Disposal	20	(141,387)	(40,187)	(51,167)
		<u>2,693,708</u>	<u>3,854,868</u>	<u>1,882,855</u>
<b>Net Result</b>				
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	16,288,250	0	294,261
		<u>16,288,250</u>	<u>0</u>	<u>294,261</u>
<b>Total Other Comprehensive Income</b>		<u>16,288,250</u>	<u>0</u>	<u>294,261</u>
<b>Total Comprehensive Income</b>		<u>18,981,958</u>	<u>3,854,868</u>	<u>2,177,116</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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		15,946	11,024	30,782
General Purpose Funding		2,318,384	2,484,930	3,112,333
Law, Order, Public Safety		45,722	41,175	42,948
Health		9,533	9,300	7,615
Education and Welfare		18,710	53,007	44,640
Housing		50,675	50,900	50,925
Community Amenities		432,951	580,343	791,134
Recreation and Culture		116,190	104,743	586,531
Transport		375,358	451,917	482,459
Economic Services		270,711	214,925	231,533
Other Property and Services		132,363	119,967	197,635
	2(a)	<u>3,786,543</u>	<u>4,122,231</u>	<u>5,578,535</u>
<b>Expenses</b>				
Governance		(445,701)	(508,807)	(408,003)
General Purpose Funding		(216,542)	(205,954)	(181,058)
Law, Order, Public Safety		(166,376)	(183,682)	(158,743)
Health		(211,764)	(281,173)	(152,081)
Education and Welfare		(248,473)	(736,337)	(248,595)
Housing		(54,056)	(59,269)	(59,315)
Community Amenities		(594,886)	(639,107)	(421,857)
Recreation and Culture		(968,776)	(783,156)	(951,580)
Transport		(1,571,813)	(1,715,563)	(1,408,698)
Economic Services		(590,656)	(1,136,974)	(795,809)
Other Property and Services		30,064	(3,452)	1,993
	2(a)	<u>(5,038,979)</u>	<u>(6,253,474)</u>	<u>(4,783,726)</u>
<b>Finance Costs</b>				
Housing		(22,402)	(23,618)	(26,248)
	2(a)	<u>(22,402)</u>	<u>(23,618)</u>	<u>(26,248)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Governance		0	180,585	0
Education and Welfare		0	433,980	0
Housing		0	0	200,000
Community Amenities		46,200	43,820	0
Recreation & Culture		813,543	1,398,201	386,330
Transport		765,329	765,329	579,131
Economic Services		2,470,019	3,217,000	0
		<u>4,095,091</u>	<u>6,038,915</u>	<u>1,165,461</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Law, Order, Public Safety		(47,905)	0	0
Health		0	4,001	0
Housing		(39,451)	0	0
Community Amenities		(21,409)	0	0
Transport		0	7,000	(22,324)
Transport		(16,411)	(18,630)	0
Economic Services		12,500	0	0
Economic Services		(3,494)	0	0
Other Property and Services		2,342	0	0
Other Property and Services		(12,717)	(21,557)	(28,843)
		<u>(126,545)</u>	<u>(29,186)</u>	<u>(51,167)</u>
<b>Net Result</b>		<u><b>2,693,708</b></u>	<u><b>3,854,868</b></u>	<u><b>1,882,855</b></u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	16,288,250	0	294,261
<b>Total Other Comprehensive Income</b>		<u><b>16,288,250</b></u>	<u><b>0</b></u>	<u><b>294,261</b></u>
<b>Total Comprehensive Income</b>		<u><b>18,981,958</b></u>	<u><b>3,854,868</b></u>	<u><b>2,177,116</b></u>

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



**SHIRE OF MORAWA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2014**

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	9,716,579	10,853,864
Trade and Other Receivables	4	343,097	526,767
Inventories	5	12,904	9,682
<b>TOTAL CURRENT ASSETS</b>		<u>10,072,580</u>	<u>11,390,313</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	5,302	11,245
Property, Plant and Equipment	6	27,180,583	11,605,545
Infrastructure	7	20,983,301	16,405,859
<b>TOTAL NON-CURRENT ASSETS</b>		<u>48,169,186</u>	<u>28,022,649</u>
<b>TOTAL ASSETS</b>		<u>58,241,766</u>	<u>39,412,962</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	254,949	392,635
Long Term Borrowings	9	66,467	62,414
Provisions	10	307,312	278,435
<b>TOTAL CURRENT LIABILITIES</b>		<u>628,728</u>	<u>733,484</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	245,961	312,428
Provisions	10	41,323	23,254
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>287,284</u>	<u>335,682</u>
<b>TOTAL LIABILITIES</b>		<u>916,012</u>	<u>1,069,166</u>
<b>NET ASSETS</b>		<u>57,325,754</u>	<u>38,343,796</u>
<b>EQUITY</b>			
Retained Surplus		31,622,984	28,613,269
Reserves - Cash Backed	11	9,120,259	9,436,266
Revaluation Surplus	12	16,582,511	294,261
<b>TOTAL EQUITY</b>		<u>57,325,754</u>	<u>38,343,796</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 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		25,124,989	11,041,691	0	36,166,680
Comprehensive Income					
Net Result		1,882,855	0	0	1,882,855
Changes on Revaluation of Non-Current Assets	12	0	0	294,261	294,261
Total Comprehensive Income		<u>1,882,855</u>	<u>0</u>	<u>294,261</u>	<u>2,177,116</u>
Reserve Transfers		1,605,425	(1,605,425)	0	0
<b>Balance as at 30 June 2013</b>		<b><u>28,613,269</u></b>	<b><u>9,436,266</u></b>	<b><u>294,261</u></b>	<b><u>38,343,796</u></b>
Comprehensive Income					
Net Result		2,693,708	0	0	2,693,708
Changes on Revaluation of Non-Current Assets	12	0	0	16,288,250	16,288,250
Total Other Comprehensive Income		<u>2,693,708</u>	<u>0</u>	<u>16,288,250</u>	<u>18,981,958</u>
Reserve Transfers		316,007	(316,007)	0	0
<b>Balance as at 30 June 2014</b>		<b><u>31,622,984</u></b>	<b><u>9,120,259</u></b>	<b><u>16,582,511</u></b>	<b><u>57,325,754</u></b>

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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		1,381,059	1,421,714	1,392,069
Operating Grants, Subsidies and Contributions		912,719	1,385,198	2,011,149
Fees and Charges		948,500	965,880	1,193,731
Interest Earnings		253,900	341,500	387,619
Goods and Services Tax		769,964	470,000	196,415
Other Revenue		389,915	153,055	371,931
		<u>4,656,057</u>	<u>4,737,347</u>	<u>5,552,914</u>
<b>Payments</b>				
Employee Costs		(1,620,248)	(1,854,725)	(1,586,657)
Materials and Contracts		(1,484,072)	(2,102,003)	(1,193,042)
Utility Charges		(335,684)	(285,403)	(291,578)
Insurance Expenses		(243,721)	(186,586)	(235,113)
Interest expenses		(23,608)	(20,118)	(27,413)
Goods and Services Tax		(645,473)	(422,520)	(653,615)
Other Expenditure		(103,890)	(616,485)	(58,376)
		<u>(4,456,696)</u>	<u>(5,487,840)</u>	<u>(4,045,794)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>199,361</u>	<u>(750,493)</u>	<u>1,507,120</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Construction of Work in Progress		0	0	(331,660)
Payments for Purchase of Property, Plant & Equipment		(2,292,612)	(3,736,470)	(2,091,262)
Payments for Construction of Infrastructure		(3,163,976)	(6,698,218)	(1,923,798)
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		4,099,174	6,038,915	1,272,308
Proceeds from Sale of Plant & Equipment		83,182	129,000	18,182
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(1,274,232)</u>	<u>(4,266,773)</u>	<u>(3,056,230)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(62,414)	(62,414)	(58,609)
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(62,414)</u>	<u>(62,414)</u>	<u>(58,609)</u>
<b>Net Increase (Decrease) in Cash Held</b>		(1,137,285)	(5,079,680)	(1,607,719)
Cash at Beginning of Year		10,853,864	10,854,027	12,461,583
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>9,716,579</u></u>	<u><u>5,774,347</u></u>	<u><u>10,853,864</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 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		15,946	191,609	30,782
General Purpose Funding		1,028,945	1,115,221	1,772,519
Law, Order, Public Safety		45,722	41,175	42,948
Health		9,533	13,301	7,615
Education and Welfare		18,710	486,987	44,640
Housing		50,675	50,900	250,925
Community Amenities		479,151	624,163	791,134
Recreation and Culture		929,733	1,502,944	972,861
Transport		1,140,687	1,224,246	1,061,590
Economic Services		2,753,230	3,431,925	231,533
Other Property and Services		134,705	119,967	197,635
		<u>6,607,037</u>	<u>8,802,438</u>	<u>5,404,182</u>
<b>Expenses</b>				
Governance		(445,701)	(508,807)	(408,003)
General Purpose Funding		(216,542)	(205,954)	(181,058)
Law, Order, Public Safety		(214,281)	(183,682)	(158,743)
Health		(211,764)	(281,173)	(152,061)
Education and Welfare		(248,473)	(736,337)	(248,595)
Housing		(115,909)	(82,887)	(85,563)
Community Amenities		(616,295)	(639,107)	(421,857)
Recreation and Culture		(968,776)	(783,156)	(951,580)
Transport		(1,588,224)	(1,734,193)	(1,431,022)
Economic Services		(594,150)	(1,136,974)	(795,809)
Other Property and Services		17,347	(25,009)	(26,850)
		<u>(5,202,768)</u>	<u>(6,317,279)</u>	<u>(4,861,141)</u>
<b>Net Result Excluding Rates</b>		<b>1,404,269</b>	<b>2,485,159</b>	<b>543,041</b>
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
Initial Recognition of Assets Due to Change to Regulations				
- Land Under Control of Council		0	0	(505,885)
- Loss Upon Revaluation of Non-Current Assets		18,667	0	0
(Profit)/Loss on Asset Disposals	20	126,545	29,186	51,167
Movement in Deferred Pensioner Rates (Non-Current)		5,943	0	1,002
Movement in Employee Benefit Provisions (Non-Current)		18,069	0	11,403
Movement in LSL Reserve (Added Back)		88,732	0	43,544
Adjustment for Revaluation of Land Held For Resale		0	0	117,633
Depreciation and Amortisation on Assets	2(a)	1,363,965	1,136,985	1,169,328
<b>Capital Expenditure and Revenue</b>				
Purchase Investments		0	0	0
Purchase Land and Buildings		(2,038,676)	(2,725,968)	(1,639,629)
Purchase Plant and Equipment		(243,151)	(986,002)	(365,829)
Purchase Furniture and Equipment		(10,785)	(24,500)	(85,804)
Purchase Infrastructure Assets - Roads		(1,164,347)	(3,710,819)	(1,183,168)
Purchase Infrastructure Assets - Footpaths		(29,254)	(65,372)	0
Purchase Infrastructure Assets - Parks & Ovals		(278,870)	(270,367)	0
Purchase Infrastructure Assets - Drainage		0	0	(67,792)
Purchase Infrastructure Assets - Sewerage		(51,490)	0	0
Purchase Infrastructure Assets - Other		(1,640,015)	(2,651,660)	(672,838)
Purchase Work in Progress		0	0	(331,660)
Proceeds from Disposal of Assets	20	83,182	129,000	18,182
Repayment of Debentures	21	(62,414)	(62,414)	(58,609)
Transfers to Reserves (Restricted Assets)	11	(2,598,316)	(735,553)	(1,873,310)
Transfers from Reserves (Restricted Assets)	11	2,914,323	4,702,241	3,478,735
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	1,410,838	1,380,375	1,421,513
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	606,654	0	1,410,838
<b>Total Amount Raised from General Rate</b>	<b>22(a)</b>	<b><u>(1,289,439)</u></b>	<b><u>(1,369,709)</u></b>	<b><u>(1,339,814)</u></b>

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**The Local Government Reporting Entity**

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

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

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

**(b) Goods and Services Tax (GST)**

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

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

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(c) Cash and Cash Equivalents**

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

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land Held for Sale***

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

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

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(f) Fixed Assets**

Each class of fixed assets within either property, plant and equipment or Infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

***Mandatory Requirement to Revalue Non-Current Assets***

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
  - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
    - (i) that are plant and equipment; and
    - (ii) that are -
      - (I) land and buildings; or-
      - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

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

***Land Under Control***

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 01 July 2013.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

***Initial Recognition and Measurement between Mandatory Revaluation Dates***

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

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

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

***Revaluation***

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

***Transitional Arrangements***

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** Methodology section as detailed above.

***Early Adoption of AASB 13 - Fair Value Measurement***

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

***Land Under Roads***

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

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

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

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

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

**Depreciation**

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

**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 2014**

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

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

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

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

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

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

**Income approach**

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

**Cost approach**

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**(h) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

Amortised cost is calculated as:

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

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

***Classification and Subsequent Measurement (Continued)***

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

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

***(ii) Loans and receivables***

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

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

***(iii) Held-to-maturity investments***

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

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

***(iv) Available-for-sale financial assets***

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

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

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

***(v) Financial liabilities***

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(k) Employee Benefits**

**Short-Term Employee Benefits**

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

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

**Other Long-Term Employee Benefits**

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

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

**(l) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(m) Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

**(n) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases.

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

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

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

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

**(o) Investment in Associates**

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

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

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

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



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(p) Interests in Joint Arrangements**

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

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

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

**(q) Rates, Grants, Donations and Other Contributions**

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

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

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

**(r) Superannuation**

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

**(s) Current and Non-Current Classification**

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

**(t) Rounding Off Figures**

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2018	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]  [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.  It is not expected to have a significant impact on Council.
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities  [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.  This Standard is not expected to significantly impact the Council's financial statements.

**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	It is not expected to have a significant impact on Council.  This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.  It is not expected to have a significant impact on Council.
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards.  Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.  Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.  As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

**Notes:**

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Auditors Remuneration</b>		
- Audit of the financial report	31,235	19,615
- Other Services	3,100	7,750
<b>Depreciation</b>		
Buildings	427,003	213,009
Furniture and Equipment	34,708	52,545
Plant and Equipment	274,297	349,636
Roads	478,972	453,464
Footpaths	9,900	9,900
Airfields	12,500	8,714
Parks & Ovals	7,770	7,114
Drainage	2,712	0
Playground Equipment	5,300	0
Sewerage	40,755	0
Dams	2,589	0
Other	67,459	74,946
	<u>1,363,965</u>	<u>1,169,328</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures (refer Note 21(a))	22,402	26,248
	<u>22,402</u>	<u>26,248</u>
(ii) Crediting as Revenue:		
<b>Significant Revenue</b>		
Recreation and Culture	0	505,885
	<u>0</u>	<u>505,885</u>
The significant revenue in the prior year relates to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations. The revenue has been classified as Other Revenue by Nature or Type.		
<b>Other Revenue</b>		
Reimbursements and Recoveries	289,694	312,744
Significant Revenue (Refer Above)	0	505,885
Other	118,095	62,267
	<u>407,789</u>	<u>880,896</u>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>Budget</b>
		<b>\$</b>
<b>Interest Earnings</b>		
Investments		
- Reserve Funds	207,345	300,000
- Other Funds	20,099	6,000
Other Interest Revenue (refer note 26)	26,456	35,639
	<u>253,900</u>	<u>341,500</u>
		<u>387,619</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

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



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**2. REVENUE AND EXPENSES (Continued)**

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening Balance (^)</b>	<b>Received (+)</b>	<b>Expended (#)</b>	<b>Closing Balance (^)</b>	<b>Received (+)</b>	<b>Expended (#)</b>	<b>Closing Balance</b>
<b>Grant/Contribution</b>	<b>Function/Activity</b>	<b>1-Jul-12</b>	<b>2012/13</b>	<b>2012/13</b>	<b>30-Jun-13</b>	<b>2013/14</b>	<b>2013/14</b>	<b>30-Jun-14</b>
		\$	\$	\$	\$	\$	\$	\$
Roads to Recovery - Auslink MRWA - RRG Funding	Transport	77,923	270,965	(348,888)	0	0	0	0
	Transport	26,637	288,166	(314,803)	0	0	0	0
	Economic							
Morawa Community Trust	Services	51,715	0	(26,504)	25,211 *	0	(16,248)	8,963 *
	Other							
Water Corporation - Revegetation Funds	Property & Services	10,000	0	0	10,000 *	0	0	10,000 *
Morawa Water Waste Management Plan	Economic	60,000	0	(60,000)	0	0	0	0
	Services							
	Recreation & Culture	14,332	0	(14,332)	0	0	0	0
Dry Seasons Assistance Grant	Economic	925,000	0	0	925,000 *	0	0	925,000 *
Midwest Sinosteel - Morawa Future Funds	Services	244,234	0	0	244,234 *	0	0	244,234 *
Midwest Corp - Road Funds	Economic							
Mid West Investment Plan - Aged Units	Services	329,518	0	(329,518)	0	0	0	0
Royalties For Regions 11/12	Housing							
Local - Refuse Transfer Station	Community Amenities	358,578	0	(57,724)	300,854 *	0	(129,971)	170,883 *
Royalties For Regions 10/11	Community Amenities							
Regional - Sewerage Upgrade	Recreation & Culture	407,915	0	(407,915)	0 *	0	0	0 *
Mid West Investment Plan - Morawa Sports Ground	Recreation & Culture	850,000	0	(501,090)	348,910 *	0	(348,910)	0 *
Events Corp - Art Show & Exhibition	Recreation & Culture	7,000	0	(7,000)	0	0	0	0
Karara Mining - Art Show & Exhibition	Recreation & Culture	0	0	0	0	20,000	0	20,000
Super Towns - Implementation	Economic Services	206,039	0	(202,966)	3,073	0	(3,073)	0
Super Towns - North Midlands Solar Thermal Power Project	Economic Services	500,000	15,742	0	515,742 *	12,912	0	528,654 *

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions (Continued)**

Grant/Contribution	Function/ Activity	Opening Balance (^) 1-Jul-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance (^) 30-Jun-13 \$	Received (+) 2013/14 \$	Expended (#) 2013/14 \$	Closing Balance 30-Jun-14 \$
RDL - Super Towns - Morawa Revitalisation	Economic Services	3,000,000	85,039	(400,000)	2,685,039 *	54,338	(1,045,000)	1,694,377 *
Super Towns - Morawa Revitalisation	Economic Services	0	400,000	(318,069)	81,931	0	(81,931)	0
MWIP - Super Towns - Morawa Revitalisation	Economic Services	0	0	0	0	2,436,000	(455,145)	1,980,855 *
Dept of Local Government - Cat Act Implementation	Law, Order & Public Safety	0	5,408	(1,818)	3,590	0	(3,590)	0
Morawa Football Club - Morawa Sports Ground	Recreation & Culture	0	139,586	0	139,586 *	0	(139,586)	0 *
Landcorp - Sponsorship of Scool Band	Education & Welfare	0	2,000	0	2,000	0	(2,000)	0
Dept of Planning - Local Planning Strategy	Community Amenities	0	85,000	(4,937)	80,063	0	(61,783)	18,280
Dept of Planning - Urban Design Funding	Community Amenities	0	55,000	(5,600)	49,400	0	(44,213)	5,187
Dept of Planning - Omnibus Scheme Amendments	Community Amenities	0	55,000	(14,755)	40,245	0	(25,063)	15,182
<b>Total</b>		<b>7,068,891</b>	<b>1,401,906</b>	<b>(3,015,919)</b>	<b>5,454,878</b>	<b>2,523,250</b>	<b>(2,356,513)</b>	<b>5,621,615</b>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions (Continued)**

**Notes:**

- (^) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (+) - 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.
- (#) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.
- (\*) - All or part of these unspent contributions were held in reserve funds at the end of June.

Disclosed as follows:

- Restricted Cash (Note 3)	260,302	\$
- Unspent Grants and Contributions Reserve (Note 11)	149,586	
- Water Waste Management Reserve (Note 11)	0	
- Morawa Community Trust Reserve (Note 11)	8,963	
- Morawa Community Future Funds Reserve (Note 11)	1,169,234	
- Aged Care Units Reserve (Note 11)	0	
- Refuse Transfer Station Reserve (Note 11)	170,883	
- Sewerage Reserve (Note 11)	0	
- Sports and Recreation Facilities Reserve (Note 11)	348,910	
- Super Towns - North Midlands Solar Thermal Power Reserve (Note 11)	515,742	
- Super Towns - Morawa Revitalisation Reserve (Note 11)	2,685,039	
	<u>5,621,615</u>	
	<u>5,621,615</u>	

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013
	\$	\$
<b>3. CASH AND CASH EQUIVALENTS</b>		
Cash on Hand - Unrestricted	550	550
Cash at Bank - Municipal	595,770	1,417,048
Restricted - Reserves	<u>9,120,259</u>	<u>9,436,266</u>
	<u>9,716,579</u>	<u>10,853,864</u>
Cash at Bank - Municipal		
Unrestricted Cash	537,121	1,156,746
Restricted Cash - Unspent Grants (refer to Note 2(c))	<u>58,649</u>	<u>260,302</u>
	<u>595,770</u>	<u>1,417,048</u>

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

Long Service Leave Reserve	216,594	127,862
Sports and Recreation Facilities Reserve	0	376,320
Plant Reserve	679,388	653,460
Building Reserve	5,034	4,905
Economic Development Reserve	103,689	101,030
Unspent Grants and Contributions Reserve	2,001,459	209,551
Community Development Reserve	1,461,097	2,305,611
Morawa Community Trust Reserve	18,483	34,048
Morawa Community Future Funds Reserve	2,113,351	2,059,161
Sewerage Reserve	77,862	41,806
Refuse Transfer Station Reserve	191,566	313,291
Aged Care Units Reserve	8,662	8,440
Business Units Reserve	20,043	0
Super Towns - North Midlands Solar Thermal Power Reserve #	528,654	515,742
Super Towns - Morawa Revitalisation Reserve #	<u>1,694,377</u>	<u>2,685,039</u>
	<u>9,120,259</u>	<u>9,436,266</u>

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	166,707	252,173
Sundry Debtors	159,396	166,877
Provision of Doubtful Debts	(2,632)	(2,301)
GST Receivable	0	85,980
Other Current Debtors	19,626	24,038
	<u>343,097</u>	<u>526,767</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	5,302	11,245
	<u>5,302</u>	<u>11,245</u>
<b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel and Materials	12,904	9,681
Land Held for Resale (Lower of Cost or Net Realisable Value)		
Cost of Acquisition	0	0
Net Realisable Value	0	1
	<u>12,904</u>	<u>9,682</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	1,866,000	0
- Cost	<u>0</u>	<u>392,690</u>
	1,866,000	392,690
Reserves Vested in and under the control of Council at:		
- Management Valuation 2014	505,885	0
- Cost	<u>0</u>	<u>505,885</u>
Total Land	2,371,885	898,575
Buildings at:		
- Independent Valuation 2014	20,643,000	0
- Management Valuation 2014	71,406	0
- Cost	2,038,676	9,920,197
Less Accumulated Depreciation	<u>(427,003)</u>	<u>(1,883,839)</u>
Total Buildings	22,326,079	8,036,358
Total Land and Buildings	<u>24,697,964</u>	<u>8,934,933</u>
Furniture and Equipment - Cost	425,544	414,759
Less Accumulated Depreciation	<u>(271,271)</u>	<u>(236,563)</u>
	154,273	178,196
Plant and Equipment - Independent Valuation 2013	2,250,209	2,250,209
Plant and Equipment - Management Valuation 2013	242,207	242,207
Plant and Equipment - Cost	97,965	0
Less Accumulated Depreciation	<u>(270,759)</u>	<u>0</u>
	2,319,622	2,492,416
Work in Progress	8,724	0
	<u>27,180,583</u>	<u>11,605,545</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**Land and Buildings:**

The Shire's land and buildings were revalued at 01 July 2013 by independent valuers and management valuation.

In relation to most of the land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to some land and specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised building assets are deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$14,238,714 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

Assets purchased after the valuation date of 01 July 2013 have been acquired at arms length. The acquisition has been recorded at cost as this reflects the value of the acquisition at 30 June 2014.

With regard to land vested in and under the control of Council, these assets were originally recognised as at 30 June 2013 at deemed cost where cost was effectively the fair value at the date of recognition.

As land vested in and under the control of Council is Crown Land restricted as to usage, it is not possible for an alternative usage to be considered when arriving at the fair value. In addition, due to its nature, any significant value attributable directly to the land would likely be offset by the need to return value to the Crown before any restriction is lifted, thus reducing the net fair value to nil.

Consequently, the original value of deemed cost was obtained having regard for the current replacement cost of the improvements on the land to allow for its current restricted usage.

These included both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**Land and Buildings (Continued):**

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is deemed to have been valued using Level 3 inputs.

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

Due to the mandatory fair value measurement framework as detailed in Note 1(f), Land Vested in and under the control of Council required a fair value assessment to occur in the current year.

This was performed by management at 30 June 2014 on the same basis as the prior year deemed cost valuation was arrived at.

The revaluation of land vested in and under the control of Council resulted in neither an increase nor a decrease in the net value of the Land vested in and under control of the Council. Consequently no adjustment was recognised in either the net result or other comprehensive income in the Statement of Comprehensive Income.

**Plant and Equipment:**

Plant and equipment was revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).



SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year	Additions	(Disposals)	Transfers Change of Input Levels	Transfers Between Asset Classes	Revaluation Increments/ (Decrements)	Depreciation (Expense)	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$	\$
Freehold Land (Level 2)	392,690	0	(14,000)	(7,778)	0	1,419,088	0	1,790,000
Freehold Land (Level 3)	0	0	0	7,778	0	68,222	0	76,000
Land Vested In and Under the Control of Council (Level 3)	505,885	0	0	0	0	0	0	505,885
<b>Total Land</b>	<b>898,575</b>	<b>0</b>	<b>(14,000)</b>	<b>0</b>	<b>0</b>	<b>1,487,310</b>	<b>0</b>	<b>2,371,885</b>
Non-Specialised Buildings (Level 2)	5,902,252	0	(44,411)	(3,866,082)	0	1,170,241	(78,871)	3,083,129
Specialised Buildings (Level 3)	2,134,106	2,038,676	(28,945)	3,866,082	0	11,581,163	(348,132)	19,242,950
<b>Total Buildings</b>	<b>8,036,358</b>	<b>2,038,676</b>	<b>(73,356)</b>	<b>0</b>	<b>0</b>	<b>12,751,404</b>	<b>(427,003)</b>	<b>22,326,079</b>
<b>Total Land and Buildings</b>	<b>8,934,933</b>	<b>2,038,676</b>	<b>(87,356)</b>	<b>0</b>	<b>0</b>	<b>14,238,714</b>	<b>(427,003)</b>	<b>24,697,964</b>
Furniture and Equipment	178,196	10,785	0	0	0	0	(34,708)	154,273
Plant and Equipment (Level 2)	2,353,975	243,151	(97,467)	0	0	0	(261,462)	2,238,197
Plant and Equipment (Level 3)	138,441	0	0	0	(44,181)	0	(12,835)	81,425
Work in Progress	0	0	0	0	8,724	0	0	8,724
<b>Total Property, Plant and Equipment</b>	<b>11,605,545</b>	<b>2,292,612</b>	<b>(184,823)</b>	<b>0</b>	<b>(35,457)</b>	<b>14,238,714</b>	<b>(736,008)</b>	<b>27,180,583</b>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013
	\$	\$
<b>7. INFRASTRUCTURE</b>		
Roads - Cost	26,291,898	25,127,551
Less Accumulated Depreciation	<u>(12,848,763)</u>	<u>(12,369,791)</u>
	13,443,135	12,757,760
Footpaths - Cost	524,273	495,019
Less Accumulated Depreciation	<u>(119,870)</u>	<u>(109,970)</u>
	404,403	385,049
Airfields - Independent Valuation 2014	625,000	0
Airfields - Cost	0	435,676
Less Accumulated Depreciation	<u>(12,500)</u>	<u>(122,818)</u>
	612,500	312,858
Parks & Ovals - Independent Valuation 2014	357,000	0
Parks & Ovals - Cost	292,460	356,196
Less Accumulated Depreciation	<u>(7,770)</u>	<u>(33,409)</u>
	641,690	322,787
Drainage - Cost	67,792	67,792
Less Accumulated Depreciation	<u>(2,712)</u>	<u>0</u>
	65,080	67,792
Playground Equipment - Independent Valuation 2014	53,000	0
Playground Equipment - Cost	0	0
Less Accumulated Depreciation	<u>(5,300)</u>	<u>0</u>
	47,700	0
Sewerage - Cost	1,630,211	0
Less Accumulated Depreciation	<u>(614,752)</u>	<u>0</u>
	1,015,459	0
Dams - Cost	129,425	0
Less Accumulated Depreciation	<u>(35,548)</u>	<u>0</u>
	93,877	0
Other - Independent Valuation 2014	1,861,000	0
Other - Management Valuation 2014	907,832	0
Other - Cost	0	3,154,463
Less Accumulated Depreciation	<u>(67,459)</u>	<u>(926,510)</u>
	2,701,373	2,227,953
Work in Progress	1,958,084	331,660
	<u>20,983,301</u>	<u>16,405,859</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**7. INFRASTRUCTURE (Continued)**

**Airfields:**

The Shire's airfield was revalued at 30 June 2014 by independent valuers.

The airfield was valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, the airfield is deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$312,412 in the net value of the Shire's airfield. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(c) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

**Playground Equipment:**

The Shire's playground equipment was revalued at 30 June 2014 by independent valuers.

The playground equipment was valued having regard for its current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, the playground equipment is deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$15,470 in the net value of the Shire's playground equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(d) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

**Other Infrastructure:**

The Shire's other infrastructure was revalued at 30 June 2014 by independent valuers and management valuation.

The other infrastructure was valued having regard for its current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, the other infrastructure is deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$1,721,924 in the net value of the Shire's other infrastructure. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(e) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

SHIRE OF MORAWA  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2014

7. INFRASTRUCTURE (Continued)

(a) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year	Additions	(Disposals)	Transfers Between Asset Classes	Revaluation Increments/ (Decrements)	Depreciation (Expense)	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$
Roads	12,757,760	1,164,347	0	0	0	(478,972)	13,443,135
Footpaths	385,049	29,254	0	0	0	(9,900)	404,403
Airfields (Level 3)	312,858	0	0	0	312,142	(12,500)	612,500
Parks & Ovals (Level 3)	322,787	278,870	0	66,470	(18,667)	(7,770)	641,690
Drainage	67,792	0	0	0	0	(2,712)	65,080
Playground Equipment (Level 3)	0	0	0	37,530	15,470	(5,300)	47,700
Sewerage	0	51,490	0	1,004,724	0	(40,755)	1,015,459
Dams	0	0	0	96,466	0	(2,589)	93,877
Other (Level 3)	2,227,953	1,640,015	(24,903)	(2,796,157)	1,721,924	(67,459)	2,701,373
Work in Progress	331,660	0	0	1,626,424	0	0	1,958,084
<b>Total Infrastructure</b>	<b>16,405,859</b>	<b>3,163,976</b>	<b>(24,903)</b>	<b>35,457</b>	<b>2,030,869</b>	<b>(627,957)</b>	<b>20,983,301</b>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014 \$	2013 \$
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	106,044	305,048
Accrued Interest on Debentures	7,031	8,237
Accrued Salaries and Wages	50,998	44,519
Accrued Expenditure	13,695	(600)
GST Payable	38,511	0
FBT Liability	8,566	7,355
PAYG Liability	30,104	28,076
	<u>254,949</u>	<u>392,635</u>

**9. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by Floating Charge Debentures	66,467	62,414
	<u>66,467</u>	<u>62,414</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	245,961	312,428
	<u>245,961</u>	<u>312,428</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

Analysis of Total Provisions

Current	307,312	278,435
Non-Current	41,323	23,254
	<u>348,635</u>	<u>301,689</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2013	141,297	160,392	301,689
Additional provisions	2,386	44,560	46,946
Balance at 30 June 2014	<u>143,683</u>	<u>204,952</u>	<u>348,635</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Long Service Leave Reserve</b>			
Opening Balance	127,862	127,862	84,318
Amount Set Aside / Transfer to Reserve	103,550	104,065	104,504
Amount Used / Transfer from Reserve	<u>(14,818)</u>	<u>(65,500)</u>	<u>(60,960)</u>
	<u>216,594</u>	<u>166,427</u>	<u>127,862</u>
<b>(b) Sports &amp; Recreation Facilities Reserve</b>			
Opening Balance	376,320	376,320	850,000
Amount Set Aside / Transfer to Reserve	9,905	11,964	27,410
Amount Used / Transfer from Reserve	<u>(386,225)</u>	<u>(348,910)</u>	<u>(501,090)</u>
	<u>0</u>	<u>39,374</u>	<u>376,320</u>
<b>(c) Plant Reserve</b>			
Opening Balance	653,460	653,460	657,468
Amount Set Aside / Transfer to Reserve	189,673	233,702	238,492
Amount Used / Transfer from Reserve	<u>(163,745)</u>	<u>(264,000)</u>	<u>(242,500)</u>
	<u>679,388</u>	<u>623,162</u>	<u>653,460</u>
<b>(d) Building Reserve</b>			
Opening Balance	4,905	4,905	4,752
Amount Set Aside / Transfer to Reserve	129	156	153
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5,034</u>	<u>5,061</u>	<u>4,905</u>
<b>(e) Economic Development Reserve</b>			
Opening Balance	101,030	101,030	196,479
Amount Set Aside / Transfer to Reserve	2,659	3,212	4,551
Amount Used / Transfer from Reserve	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
	<u>103,689</u>	<u>4,242</u>	<u>101,030</u>
<b>(f) Unspent Grants and Contributions Reserve</b>			
Opening Balance	209,551	209,551	35,599
Amount Set Aside / Transfer to Reserve	2,050,224	6,662	359,237
Amount Used / Transfer from Reserve	<u>(258,316)</u>	<u>(199,365)</u>	<u>(185,285)</u>
	<u>2,001,459</u>	<u>16,848</u>	<u>209,551</u>
<b>(g) Community Development Reserve</b>			
Opening Balance	2,305,611	2,305,611	3,165,061
Amount Set Aside / Transfer to Reserve	55,486	173,302	189,703
Amount Used / Transfer from Reserve	<u>(900,000)</u>	<u>(1,392,405)</u>	<u>(1,049,153)</u>
	<u>1,461,097</u>	<u>1,086,508</u>	<u>2,305,611</u>
<b>(h) Water Waste Management Reserve</b>			
Opening Balance	0	0	66,000
Amount Set Aside / Transfer to Reserve	0	0	1,953
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(67,953)</u>
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(i) Morawa Community Trust Reserve</b>			
Opening Balance	34,048	34,047	58,660
Amount Set Aside / Transfer to Reserve	683	1,082	1,892
Amount Used / Transfer from Reserve	<u>(16,248)</u>	<u>(35,070)</u>	<u>(26,504)</u>
	<u>18,483</u>	<u>59</u>	<u>34,048</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED (Continued)</b>			
<b>(j) Morawa Community Future Funds Reserve</b>			
Opening Balance	2,059,161	2,059,161	1,256,128
Amount Set Aside / Transfer to Reserve	54,190	68,091	803,033
Amount Used / Transfer from Reserve	0	0	0
	<u>2,113,351</u>	<u>2,127,252</u>	<u>2,059,161</u>
<b>(k) Sewerage Reserve</b>			
Opening Balance	41,806	41,806	478,468
Amount Set Aside / Transfer to Reserve	36,056	1,329	13,338
Amount Used / Transfer from Reserve	0	0	(450,000)
	<u>77,862</u>	<u>43,135</u>	<u>41,806</u>
<b>(l) Refuse Transfer Station Reserve</b>			
Opening Balance	313,291	313,291	358,578
Amount Set Aside / Transfer to Reserve	8,246	9,960	11,563
Amount Used / Transfer from Reserve	(129,971)	(322,692)	(56,850)
	<u>191,566</u>	<u>559</u>	<u>313,291</u>
<b>(m) Aged Care Units Reserve</b>			
Opening Balance	8,440	8,440	329,518
Amount Set Aside / Transfer to Reserve	222	268	17,362
Amount Used / Transfer from Reserve	0	(8,695)	(338,440)
	<u>8,662</u>	<u>13</u>	<u>8,440</u>
<b>(n) Super Towns - North Midlands Solar Thermal Power Reserve</b>			
Opening Balance	515,742	515,743	500,095
Amount Set Aside / Transfer to Reserve	12,912	16,397	15,647
Amount Used / Transfer from Reserve	0	(500,000)	0
	<u>528,654</u>	<u>32,140</u>	<u>515,742</u>
<b>(o) Super Towns - Morawa Revitalisation Reserve</b>			
Opening Balance	2,685,039	2,685,039	3,000,567
Amount Set Aside / Transfer to Reserve	54,338	85,363	84,472
Amount Used / Transfer from Reserve	(1,045,000)	(1,465,604)	(400,000)
	<u>1,694,377</u>	<u>1,304,798</u>	<u>2,685,039</u>
<b>(p) Business Units Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	20,043	20,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>20,043</u>	<u>20,000</u>	<u>0</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u><u>9,120,259</u></u>	<u><u>5,469,578</u></u>	<u><u>9,436,266</u></u>

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**11. RESERVES - CASH BACKED (Continued)**

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

**Long Service Leave Reserve**

- to be used to fund long service leave requirements

**Sport & Recreation Facilities Reserve**

- to be used to refurbish, replace, extend or establish Sport & Recreation Facilities

**Plant Reserve**

- to be used for the purchase of major plant

**Building Reserve**

- to be used for the maintenance of council owned buildings

**Economic Development Reserve**

- to be used for projects to enhance Economic Development within the Shire

**Unspent Grants and Contributions Reserve**

- to be used as a quarantine for unspent committed funds.

**Community Development Reserve**

- to be used for Community Projects within the Shire of Morawa

**Water Waste Management Reserve**

- to be used to implement the Morawa Stormwater harvesting and recycling scheme

**Morawa Community Trust Reserve**

- to be used for Morawa Community Projects

**Morawa Community Future Funds Reserve**

- 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

**Sewerage Reserve**

- to be used to repair, replace or extend the sewerage facility.

**Refuse Transfer Station Reserve**

- to be used for Morawa Landfill closure and Refuse Transfer Station implementation project R4R funds 2011/12

**Aged Care Units Reserve**

- to be used for the construction of 4 Aged Care Units at the Morawa Perenjori Health Centre R4R Mid West Investment Plan

**ST - N/Midlands Solar Thermal Power Reserve**

- Super Town funds to be used for the N/Midlands Solar Thermal Power feasibility Study Project

**ST-Morawa Revitalisation Reserve**

- Super Town funds to be used for the Morawa Town Revitalisation Project

**Business Units Reserve**

- to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units

Except for the the Community Development, Waste Water Management, Morawa Community Trust, Refuse Transfer Station, Super Towns - North Midlands Solar Thermal and Super Towns - Morawa Revitalisation Reserves, the Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**12. RESERVES - ASSET REVALUATION**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land and Buildings</b>		
Opening balance	0	0
Revaluation Increment	14,238,714	0
Revaluation Decrement	0	0
	<u>14,238,714</u>	<u>0</u>
<b>(b) Plant and Equipment</b>		
Opening balance	294,261	0
Revaluation Increment	0	294,261
Revaluation Decrement	0	0
	<u>294,261</u>	<u>294,261</u>
<b>(c) Infrastructure - Airfield</b>		
Opening balance	0	0
Revaluation Increment	312,142	0
Revaluation Decrement	0	0
	<u>312,142</u>	<u>0</u>
<b>(d) Infrastructure - Playground Equipment</b>		
Opening balance	0	0
Revaluation Increment	15,470	0
Revaluation Decrement	0	0
	<u>15,470</u>	<u>0</u>
<b>(e) Infrastructure - Other</b>		
Opening balance	0	0
Revaluation Increment	1,721,924	0
Revaluation Decrement	0	0
	<u>1,721,924</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION RESERVES</b>	<b>16,582,511</b>	<b>294,261</b>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**13. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>9,716,579</u>	<u>5,774,347</u>	<u>10,853,864</u>

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

Net Result	2,693,708	3,854,868	1,882,855
Depreciation	1,363,965	1,136,985	1,169,328
(Profit)/Loss on Sale of Asset	126,545	29,186	51,167
(Increase)/Decrease in Receivables	189,613	165,116	304,716
(Increase)/Decrease in Inventories	(3,223)	2,050	120,938
Increase/(Decrease) in Payables	(137,686)	150,217	(190,689)
Increase/(Decrease) in Employee Provisions	46,946	(50,000)	(53,002)
Grants/Contributions for the Development of Assets	(4,099,174)	(6,038,915)	(1,272,308)
Loss on Revaluation of Fixed Assets	18,667	0	0
Non-Current Assets recognised due to changes in legislative requirements	0	0	(505,885)
Net Cash from Operating Activities	<u>199,361</u>	<u>(750,493)</u>	<u>1,507,120</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	15,000	15,000
Credit Card Balance at Balance Date	<u>(3,611)</u>	<u>(4,502)</u>
<b>Total Amount of Credit Unused</b>	<u>11,389</u>	<u>10,498</u>

**Loan Facilities**

Loan Facilities - Current	66,467	62,414
Loan Facilities - Non-Current	245,961	312,428
<b>Total Facilities in Use at Balance Date</b>	<u>312,428</u>	<u>374,842</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>0</u>	<u>0</u>
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**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**14. CONTINGENT LIABILITIES**

Council have no Contingent Liabilities at 30 June 2014.

**15. CAPITAL AND LEASING COMMITMENTS**

**(a) Finance Lease Commitments**

There are no finance lease commitments at 30 June 2014.

**(b) Operating Lease Commitments**

There are no operating lease commitments at 30 June 2014.

**(c) Capital Expenditure Commitments**

	<b>2014</b>	<b>2013</b>
	\$	\$
Contracted for:		
- capital expenditure projects	905,045	2,202,427
Payable:		
- not later than one year	905,045	2,202,427

The capital expenditure project outstanding amount of \$905,045 at the end of the current reporting period is for the construction of a new civic square and revitalisation project within the Morawa townsite.

The capital expenditure project outstanding at the end of the previous reporting period represents \$1,964,613 for the construction of the Morawa Sports Complex, \$22,119 for the construction of the Morawa Aged Care Units and \$215,695 for the construction of the Morawa Skate park.

Capital expenditure commitment figures above are excluding GST.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**16. JOINT VENTURE**

The Shire was not involved in any joint ventures at 30 June 2013 and 30 June 2014.

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2014</b>	<b>2013</b>
	\$	\$
Governance	930,830	1,204,885
General Purpose Funding	172,009	263,418
Law, Order, Public Safety	269,480	352,223
Health	764,537	475,800
Education and Welfare	506,630	268,433
Housing	3,323,765	1,699,013
Community Amenities	1,904,582	1,551,944
Recreation and Culture	13,703,635	3,769,221
Transport	16,241,855	14,985,747
Economic Services	13,670,481	10,231,899
Other Property and Services	3,674,025	2,884,379
Unallocated	3,079,937	1,726,000
	<u>58,241,766</u>	<u>39,412,962</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

<b>18. FINANCIAL RATIOS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current Ratio	2.17	2.80	2.29
Asset Sustainability Ratio	1.24	1.19	1.05
Debt Service Cover Ratio	(0.18)	22.54	19.50
Operating Surplus Ratio	(0.49)	0.23	0.63
Own Source Revenue Coverage Ratio	0.55	0.64	0.98

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**Notes:**

Information relating to the **Asset Consumption Ratio** and **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 62 of this document.

Two of the 2013 ratios disclosed above are distorted by an item of revenue totalling \$505,885 relating to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations (refer Notes 1(g) and Note 2(a)(ii) for further details.

This item forms part of operating revenue and has been included in the calculations above.

This item of revenue is considered to be a "one-off" and is non-cash in nature and, if it was ignored, the calculations disclosed in the 2013 column above would be as follows:

	<b>2013</b>
Debt Service Cover Ratio	16.58
Operating Surplus Ratio	0.07

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**19. TRUST FUNDS**

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

	Balance 1-Jul-13 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-14 \$
Housing Bonds	520	0	0	520
Child Care Bonds	155	0	0	155
Bonds Hall/Rec Centre Hire	500	0	0	500
Extractive Industries Licence	0	0	0	0
Youth Centre	865	7,400	(7,400)	865
Council Nominations	0	320	(320)	0
Haulmore Trailers Land Deposit	4,641	0	0	4,641
Social Club Payments	4,346	122	(3,398)	1,070
BCITF/BRB Training Levies	7,460	7,826	(15,179)	107
Police Licensing	0	0	0	0
Local Drug Action Group	385	0	0	385
Bill Johnson Unit 1 Bond	520	0	0	520
Morawa Oval Function Centre	1,762	0	0	1,762
	<u>21,154</u>			<u>10,525</u>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Law, Order &amp; Public Safety</b>						
Bush Fire Brigade Shed at Canna	29,336	0	0	0	(29,336)	0
S.E.S. Operations Centre	18,569	0	0	0	(18,569)	0
<b>Health</b>						
Mitsubishi Outlander	0	7,999	0	12,000	0	4,001
<b>Staff Housing</b>						
Lot 218 (49) Valentine Street	500	0	0	0	(500)	0
Lot 362 (5) White Avenue (Cnr of Hartley St)	8,000	0	0	0	(8,000)	0
Lot 176 Caulfield Road	5,500	0	0	0	(5,500)	0
G.E.H.A. Duplex Lot 343 Stok	6,884	0	0	0	(6,884)	0
Lady Brand Lodge Equity	4,417	0	0	0	(4,417)	0
BLDG - Lot 116 (41) Valentine Street	62	0	0	0	(62)	0
Local Government House Equity	3,712	0	0	0	(3,712)	0
WAGR Lease L1477	10,376	0	0	0	(10,376)	0
<b>Community Amenities</b>						
Streetscape Furniture	1,779	0	0	0	(1,779)	0
Mural	10,439	0	0	0	(10,439)	0
War Memorial Plaque	0	0	0	0	0	0
Upgrade to War Memorial	8,455	0	0	0	(8,455)	0
Streetscape Lights	736	0	0	0	(736)	0
<b>Transport</b>						
(Asset ) Works Construction Utility	5,938	0	1,818	7,000	(4,120)	7,000
(Asset 452) Toyota Hilux 4x4	33,427	32,648	21,136	20,000	(12,291)	(12,648)
<b>Economic Services</b>						
Sale of Iron Ore Fines	0	0	12,500	0	12,500	0
Notice Board - Winfield Street	1,673	0	0	0	(1,673)	0
Morawa Beacon	1,821	0	0	0	(1,821)	0
Sale of White Ave Land	1	0	1	0	0	0
<b>Other Property &amp; Services</b>						
(Asset 376) PWS Dual Cab Utility	22,717	25,982	10,000	20,000	(12,717)	(5,982)
CEO Vehicle	0	43,436	0	30,000	0	(13,436)
DCEO Vehicle	24,163	28,587	25,909	26,000	1,746	(2,587)
MAF Vehicle	11,222	19,534	11,818	14,000	596	(5,534)
	209,727	158,186	83,182	129,000	(126,545)	(29,186)

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-13 \$	New Loans		Principal Repayments		Principal 30-Jun-14		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing									
Loan 133 - GEHA House	186,943	0	0	26,292	26,292	160,651	160,650	11,811	12,011
Loan 134 - 2 Broad Street	132,975	0	0	18,920	18,920	114,055	114,055	7,437	8,378
Loan 135 - Staff Housing	54,924	0	0	17,202	17,202	37,722	37,723	3,154	3,229
	374,842	0	0	62,414	62,414	312,428	312,428	22,402	23,618

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2013/14

There were no new debentures in 2013/14.

(c) Unspent Debentures

There were no unspent debentures at 30 June 2014.

(d) Overdraft

Council has no overdraft facility and no overdraft has been utilised at 30 June 2014.



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR**

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>											
GRV Residential/Commercial	5.2143	263	3,384,532	176,480	(30,967)	0	145,513	175,774	0	0	175,774
UV Rural	1.9708	218	55,076,500	1,085,448	1,581	0	1,087,029	1,095,893	0	0	1,095,893
UV Mining	30.0000	17	399,201	119,760	0	0	119,760	119,760	0	0	119,760
<b>Sub-Totals</b>		498	58,860,233	1,381,688	(29,386)	0	1,352,302	1,391,427	0	0	1,391,427
<b>Minimum Rates</b>											
GRV Residential/Commercial	239	57	54,945	13,623	0	0	13,623	13,623	0	0	13,623
UV Rural	239	9	49,300	2,151	0	0	2,151	1,673	0	0	1,673
UV Mining	705	14	13,746	9,870	(705)	0	9,165	9,870	0	0	9,870
<b>Sub-Totals</b>		80	117,991	25,644	(705)	0	24,939	25,166	0	0	25,166
Ex-Gratia Rates							1,377,241				1,416,593
Discounts (refer note 25)							5,607				5,416
Rates Written Off							(46,716)				(51,000)
Movement in Excess Rates							(575)				(1,300)
<b>Total Amount Raised from General Rate/ Total Rates</b>							<b>1,289,439</b>				<b>1,369,709</b>

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)**

(b) Information on Surplus/(Deficit) Brought Forward	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
<b>Surplus/(Deficit) - Rate Setting Statement</b>	<u>606,654</u>	<u>1,410,838</u>	<u>1,410,838</u>
<b>Comprises:</b>			
Cash - Unrestricted	537,671	1,157,296	1,157,296
Cash - Restricted	9,178,908	9,696,568	9,696,568
Rates Outstanding	166,707	252,173	252,173
Sundry Debtors	159,396	166,877	166,877
Provision of Doubtful Debts	(2,632)	(2,301)	(2,301)
GST Receivable	0	85,980	85,980
Other Current Debtors	19,626	24,038	24,038
Inventories			
- Fuel and Materials	12,904	9,681	9,681
<b>Less:</b>			
Reserves - Restricted Cash			
- Long Service Leave Reserve	(216,594)	(127,862)	(127,862)
- Sports and Recreation Facilities Reserve	0	(376,320)	(376,320)
- Plant Reserve	(679,388)	(653,460)	(653,460)
- Building Reserve	(5,034)	(4,905)	(4,905)
- Economic Development Reserve	(103,689)	(101,030)	(101,030)
- Unspent Grants and Contributions Reserve	(2,001,459)	(209,551)	(209,551)
- Community Development Reserve	(1,461,097)	(2,305,611)	(2,305,611)
- Water Waste Management Reserve	0	0	0
- Morawa Community Trust Reserve	(18,483)	(34,048)	(34,048)
- Morawa Community Future Funds Reserve	(2,113,351)	(2,059,161)	(2,059,161)
- Sewerage Reserve	(77,862)	(41,806)	(41,806)
- Refuse Transfer Station Reserve	(191,566)	(313,291)	(313,291)
- Aged Care Units Reserve	(8,662)	(8,440)	(8,440)
- Business Units Reserve	(20,043)	0	0
- Super Towns - North Midlands Solar Thermal Reserve	(528,654)	(515,742)	(515,742)
- Super Towns - Morawa Revitalisation Reserve	(1,694,377)	(2,685,039)	(2,685,039)
Sundry Creditors	(106,044)	(305,048)	(305,048)
Accrued Interest on Debentures	(7,031)	(8,237)	(8,237)
Accrued Salaries & Wages	(50,998)	(44,519)	(44,519)
Accrued Expenditure	(13,695)	600	600
GST Payable	(38,511)	0	0
FBT Liability	(8,566)	(7,355)	(7,355)
PAYG Liability	(30,104)	(28,076)	(28,076)
Current Employee Benefits Provision	(307,312)	(278,435)	(278,435)
Current Loan Liability	(66,467)	(62,414)	(62,414)
Add Back : Component of Leave Liability not Required to be Funded	216,594	127,862	127,862
Add Back : Current Loan Liability	66,467	62,414	62,414
<b>Surplus/(Deficit)</b>	<u>606,654</u>	<u>1,410,838</u>	<u>1,410,838</u>

**Difference:**

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR**

No specified area rates were levied in the 2013/14 financial year.

**24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR**

No Service Charges were imposed in the 2013/14 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2013/14 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	5.00%	46,716	51,000
			46,716	51,000
Rate Assessment	Write-Off		576	1,300

A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice.

**26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		23,647	33,000
Interest on Instalments Plan	5.50%		2,809	2,500
Charges on Instalment Plan		5	1,075	1,000
			27,531	36,500

Ratepayers had the option of paying rates in four equal instalments, due on 24th October 2013, 6th January 2014, 6th March 2014 and 7th May 2014. Administration charges and interest applied for the final three instalments.

<b>27. FEES &amp; CHARGES</b>	<b>2014</b> \$	<b>2013</b> \$
Governance	46	43
General Purpose Funding	19,102	3,670
Law, Order, Public Safety	2,612	628
Health	1,150	0
Education and Welfare	1,504	1,959
Housing	50,012	49,116
Community Amenities	432,951	593,601
Recreation and Culture	58,419	70,737
Transport	395	13,670
Economic Services	270,406	228,173
Other Property and Services	37,288	30,783
	<u>873,885</u>	<u>992,380</u>

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

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**28. GRANT REVENUE**

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

	2014	2013
	\$	\$
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	961,530	1,977,826
Non-Operating Grants, Subsidies and Contributions	4,095,091	1,165,461
	<u>5,056,621</u>	<u>3,143,287</u>
<b>By Program:</b>		
Governance	2,569	25,000
General Purpose Funding	755,443	1,381,230
Law, Order, Public Safety	35,891	37,684
Health	0	0
Education and Welfare	9,241	23,808
Housing	0	200,000
Community Amenities	46,200	195,640
Recreation and Culture	813,770	396,120
Transport	923,488	751,689
Economic Services	2,470,019	0
Other Property and Services	0	132,116
	<u>5,056,621</u>	<u>3,143,287</u>

**29. ELECTED MEMBERS REMUNERATION**

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

	2014	2014	2013
	\$	Budget	\$
		\$	
Meeting Fees	64,000	64,000	27,924
President's Allowance	17,000	17,000	11,630
Deputy President's Allowance	4,250	4,250	2,907
Travelling Expenses	0	200	0
	<u>85,250</u>	<u>85,450</u>	<u>42,461</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

	2014	2013
	<u>24</u>	<u>27</u>

**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**31. MAJOR LAND TRANSACTIONS**

There were no major land transactions in the year 2013/14.

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	9,716,579	10,853,864	9,716,579	10,853,864
Receivables	348,399	538,012	348,399	538,012
	<u>10,064,978</u>	<u>11,391,876</u>	<u>10,064,978</u>	<u>11,391,876</u>
<b>Financial Liabilities</b>				
Payables	254,949	392,635	254,949	392,635
Borrowings	312,428	374,842	279,734	338,664
	<u>567,377</u>	<u>767,477</u>	<u>534,683</u>	<u>731,299</u>

Fair value is determined as follows:

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

**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

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

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

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

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	90,804	114,196
- Statement of Comprehensive Income	90,804	114,196

**Notes:**

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

Recent market volatility has seen large market movements for certain types of investments.

**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FINANCIAL RISK MANAGEMENT (Continued)**  
**(b) Receivables**

Council'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. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council 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 Council's credit risk at balance date was:

	<b>2014</b>	<b>2013</b>
<b>Percentage of Rates and Annual Charges</b>		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
<b>Percentage of Other Receivables</b>		
- Current	63.00%	70.11%
- Overdue	37.00%	29.89%



**SHIRE OF MORAWA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FINANCIAL RISK MANAGEMENT (Continued)**  
**(c) Payables**  
**Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	<u>2014</u>	<u>2013</u>		
	Due within 1 year \$	Due between 1 & 5 years \$		
	Due after 5 years \$	Total contractual cash flows \$		
	Carrying values \$			
Payables	254,949	0	254,949	254,949
Borrowings	86,023	255,499	0	312,428
	<u>340,972</u>	<u>255,499</u>	<u>0</u>	<u>596,471</u>
				<u>567,377</u>
Payables	392,635	0	0	392,635
Borrowings	86,023	303,228	38,294	374,842
	<u>478,658</u>	<u>303,228</u>	<u>38,294</u>	<u>820,180</u>
				<u>767,477</u>

**SHIRE OF MORAWA  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**33. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables (Continued)  
Borrowings (Continued)**

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<b>Year Ended 30 June 2014</b>								
Borrowings								
Fixed Rate Debentures	0	37,722	0	0	274,706	0	312,428	6.47%
Weighted Average Effective Interest Rate		6.20%			6.51%			
<b>Year Ended 30 June 2013</b>								
Borrowings								
Fixed Rate Debentures	0	0	54,924	0	0	319,918	374,842	6.46%
Weighted Average Effective Interest Rate			6.20%			6.50%		

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

**REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of the Shire of Morawa, which comprises the statement of financial position as at 30 June 2014, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT**

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

**AUDITOR'S RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

**AUDITOR'S OPINION**

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

- a. giving a true and fair view of the Shire's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 65 of this report, we have reviewed the calculation as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON  
CHARTERED ACCOUNTANTS

  
GREG GODWIN  
PARTNER

Date: 28 November 2014  
Perth, WA

**SHIRE OF MORAWA  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2014**

**RATIO INFORMATION**

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Asset Consumption Ratio	<b>0.50</b>	<b>0.36</b>	<b>0.33</b>
Asset Renewal Funding Ratio	<b>0.58</b>	<b>0.551</b>	<b>N/A</b>

The above ratios are calculated as follows:

Asset Consumption Ratio  $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio  $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceeding years (being 2012 and 2011) have not been reported as financial information is not available.**

28 November 2014

The Shire President  
Shire of Morawa  
Winfield Street  
MORAWA WA 6623



Dear Cr Chappel

**MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2014**

We advise that we have completed our audit procedures for the year ended 30 June 2014 and enclose our Audit Report.

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

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

**COMMENT OF RATIOS**

Last year (the year ended 30 June 2013) we saw the introduction of new financial reporting ratios for local governments in Western Australia.

This year (the year ended 30 June 2014) is the second year of these new ratios and the information relating to these ratios is summarised below:

	Target Ratio <sup>1</sup>	Council's Actual Ratios			3 Year Trend <sup>2</sup>
		2014	2013	2012	
Current Ratio	≥ 1	2.17	2.80	2.29	↓
Asset Sustainability Ratio	≥ 1.1	1.24	1.19	1.05	↑
Debt Service Cover Ratio	≥ 15	(0.18)	16.58*	19.50	↓
Operating Surplus Ratio	≥ 0.15	(0.49)	(0.07)*	0.63	↓
Own Source Revenue Coverage Ratio	≥ 0.9	0.55	0.64	0.98	↓
Asset Consumption Ratio	≥ 0.75	0.30	0.36	0.33	↑
Asset Renewal Funding Ratio	≥ 1.05	0.58	0.55	N/A	↑

Above target as per guidelines

Within acceptable banding as per guidelines

Below acceptable banding as per guidelines

<sup>1</sup> Target ratios per Department of Local Government and Communities Guidelines (DLGC) except the Debt Service Cover Ratio which is a target devised by UHY Haines Norton (and based on experience). For information, DLGC Guidelines establish a target Debt Service Cover Ratio of 5.

<sup>2</sup> The 3 year trend compares the 2014 ratio to the average of the last 3 years (except for the Asset Renewal Funding Ratio which is compared to the 2 year trend).

\* Adjusted for "one-off" non-cash items.

COMMENT OF RATIOS (CONTINUED)

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future.

We provide commentary on specific ratios (identified as red in the table above) as follows:

**Debt Service Cover Ratio**

This ratio is well below target levels and trending downwards.

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

Whilst we acknowledge borrowings have not increased in recent years (in fact the overall level of borrowings has decreased) the downward trend in the ratio has occurred as a result of Council incurring an operating deficit (refer to our comments regarding the Operating Surplus Ratio below).

**Operating Surplus Ratio**

This ratio is below target levels and trending downwards.

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

Council's Statement of Comprehensive Income indicates the main reason for the downward trend to be a decrease in operating revenue without a corresponding decrease in operating expenditure.

**Asset Consumption Ratio (ACR)**

This ratio is below target levels but trending upwards.

This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

Interpretation of this ratio should be considered together with the Asset Sustainability Ratio (ASR) (Low risk at 1.24) and the Asset Renewal Funding Ratio (High risk at 0.58).

Whilst the ASR at a level of 1.24 indicates Council has replaced more assets than it has used in the year ended 30 June 2014, as the ARFR is at a level of 0.58 Council should review its AMPs to help ensure current service levels and asset conditions can be maintained, given the availability of funding (as identified in Council's LTFF) for asset renewals.

**Asset Renewal Funding Ratio (ARFR)**

The Asset Renewal Funding Ratio indicates whether Council's planned capital renewal expenditure over the next 10 years per its Long Term Financial Plan (LTFF) is sufficient to meet the required capital renewal expenditure over the next 10 years per its Asset Management Plans (AMPs). We note AMPs for Infrastructure and Land and Buildings have been adopted by Council whilst an AMP for Plant and Equipment has not yet been adopted. (A draft prepared by management has been used to calculate this ratio).

As this ratio is less than the high risk industry benchmark it indicates Council may not have the financial capacity to fund asset renewal as required by its AMPs.

Interpretation of this ratio should be considered together with the Asset Sustainability Ratio (ASR) (Low risk at 1.24) and the Asset Consumption Ratio (ACR) (High risk at 0.50).

COMMENT OF RATIOS (CONTINUED)

**Summary**

We suggest it prudent for Council and management to monitor the levels and trends of all ratios as they strive to manage the scarce resources of the Council.

Whilst the trends identified and discussed above do not require immediate action, they should be considered as part of the overall financial management of the Shire.

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

**UNCORRECTED MISSTATEMENTS**

We advise there were no uncorrected misstatement noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully

  
GREG GODWIN  
PARTNER