



SHIRE OF MORAWA

BUDGET

FOR THE YEAR ENDED 30 JUNE 2018

TABLE OF CONTENTS

Statement of Comprehensive Income by Nature or Type	2
Statement of Comprehensive Income by Program	3
Statement of Cash Flows	4
Rate Setting Statement	5
Notes to and Forming Part of the Budget	6 to 35
Supplementary Information	36

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

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue				
Rates	8	1,800,645	1,664,137	1,654,224
Operating grants, subsidies and contributions	15	1,197,480	6,026,657	1,914,295
Fees and charges	14	837,207	758,054	866,464
Service charges	11	0	0	0
Interest earnings	2(a)	102,362	126,584	237,500
Other revenue	2(a)	137,989	262,503	130,737
		<u>4,075,683</u>	<u>8,837,935</u>	<u>4,803,220</u>
Expenses				
Employee costs		(1,717,634)	(1,572,886)	(1,664,521)
Materials and contracts		(1,982,099)	(4,357,954)	(1,571,884)
Utility charges		(360,123)	(502,911)	(341,848)
Depreciation on non-current assets	2(a)	(1,463,496)	(1,480,828)	(1,683,278)
Interest expenses	2(a)	(20,920)	(21,653)	(22,704)
Insurance expenses		(140,979)	(200,120)	(178,523)
Other expenditure		(696,123)	(140,048)	(169,465)
		<u>(6,381,374)</u>	<u>(8,276,400)</u>	<u>(5,632,223)</u>
		(2,305,691)	561,535	(829,003)
Non-operating grants, subsidies and contributions	15	1,017,064	1,531,501	3,738,832
Profit on asset disposals	6	13,000	1,113	1,990
Loss on asset disposals	6	0	(42,552)	(20,249)
Loss on revaluation of non current assets		0	0	0
Net result		<u>(1,275,627)</u>	<u>2,051,597</u>	<u>2,891,570</u>
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u><u>(1,275,627)</u></u>	<u><u>2,051,597</u></u>	<u><u>2,891,570</u></u>

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

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget	2016/17 Actual	2016/17 Budget
		\$	\$	\$
Revenue (refer notes 1,2,8,10 to 15)				
Governance	10		40	10
General purpose funding		2,693,995	4,156,663	3,437,377
Law, order, public safety		26,230	25,098	44,720
Health		5,350	3,328	8,000
Education and welfare		133,899	22,333	45,500
Housing		142,761	195,171	137,711
Community amenities		451,091	435,500	461,431
Recreation and culture		69,214	47,088	96,031
Transport		246,130	3,665,608	264,109
Economic services		167,819	155,523	185,099
Other property and services		139,184	131,583	123,232
		<u>4,075,683</u>	<u>8,837,935</u>	<u>4,803,220</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(491,640)	(452,991)	(485,346)
General purpose funding		(174,282)	(218,514)	(198,855)
Law, order, public safety		(84,223)	(130,078)	(147,658)
Health		(210,604)	(155,565)	(154,150)
Education and welfare		(800,015)	(175,989)	(299,878)
Housing		(292,350)	(134,050)	(156,049)
Community amenities		(741,202)	(573,534)	(616,433)
Recreation and culture		(1,136,614)	(1,172,151)	(1,143,712)
Transport		(1,598,634)	(4,773,206)	(1,751,425)
Economic services		(794,594)	(415,711)	(628,406)
Other property and services		(36,296)	(52,958)	(27,607)
		<u>(6,360,454)</u>	<u>(8,254,747)</u>	<u>(5,609,519)</u>
Finance costs (refer notes 2 & 7)				
Housing		(20,920)	(21,653)	(22,704)
		<u>(20,920)</u>	<u>(21,653)</u>	<u>(22,704)</u>
		<u>(2,305,691)</u>	<u>561,535</u>	<u>(829,003)</u>
Non-operating grants, subsidies and contributions	15	1,017,064	1,531,501	3,738,832
Profit on disposal of assets	6	13,000	1,113	1,990
(Loss) on disposal of assets	6	0	(42,552)	(20,249)
Loss on revaluation of non current assets		0	0	0
		<u>1,030,064</u>	<u>1,490,062</u>	<u>3,720,573</u>
Net result		(1,275,627)	2,051,597	2,891,570
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>(1,275,627)</u>	<u>2,051,597</u>	<u>2,891,570</u>

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

SHIRE OF MORAWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,950,645	1,548,484	1,804,224
Operating grants, subsidies and contributions		1,199,980	6,986,567	2,634,295
Fees and charges		837,207	758,054	866,464
Service charges		0	0	0
Interest earnings		102,362	126,584	237,500
Goods and services tax		371,974	374,995	502,055
Other revenue		137,989	262,503	130,737
		<u>4,600,157</u>	<u>10,057,187</u>	<u>6,175,275</u>
Payments				
Employee costs		(1,715,134)	(1,559,635)	(1,625,407)
Materials and contracts		(1,682,099)	(4,639,522)	(1,366,829)
Utility charges		(360,123)	(502,911)	(341,848)
Interest expenses		(20,420)	(23,014)	(22,704)
Insurance expenses		(140,979)	(200,120)	(178,523)
Goods and services tax		(371,974)	(371,974)	(500,000)
Other expenditure		(696,123)	(140,048)	(169,465)
		<u>(4,986,852)</u>	<u>(7,437,224)</u>	<u>(4,204,776)</u>
Net cash provided by (used in) operating activities	3(b)	<u>(386,695)</u>	<u>2,619,963</u>	<u>1,970,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of land held for resale	5	(20,000)	0	0
Payments for purchase of property, plant & equipment	5	(332,870)	(866,618)	(1,259,304)
Payments for construction of infrastructure	5	(1,807,415)	(2,715,451)	(5,443,746)
Non-operating grants, subsidies and contributions used for the development of assets		1,017,064	1,531,501	3,738,832
Proceeds from sale of plant & equipment	6	15,000	132,273	135,500
Net cash provided by (used in) investing activities		<u>(1,128,221)</u>	<u>(1,918,295)</u>	<u>(2,828,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(70,815)	(67,842)	(68,175)
Advances to community groups		0	0	0
Proceeds from self supporting loans		0	0	0
Proceeds from new borrowings	7	0	0	0
Net cash provided by (used in) financing activities		<u>(70,815)</u>	<u>(67,842)</u>	<u>(68,175)</u>
Net increase (decrease) in cash held		<u>(1,585,731)</u>	<u>633,826</u>	<u>(926,394)</u>
Cash at beginning of year		<u>7,046,435</u>	<u>6,412,609</u>	<u>6,299,087</u>
Cash and cash equivalents at the end of the year	3(a)	<u><u>5,460,704</u></u>	<u><u>7,046,435</u></u>	<u><u>5,372,693</u></u>

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

SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net current assets at start of financial year - surplus/(deficit)	4	428,376	1,081,056	1,088,808
		428,376	1,081,056	1,088,808
Revenue from operating activities (excluding rates) and non-operating grants, subsidies and contributions)				
Governance	10	40	40	10
General purpose funding	897,142	2,502,434	1,786,445	
Law, order, public safety	26,230	25,098	44,720	
Health	5,350	3,328	8,000	
Education and welfare	133,899	22,333	45,500	
Housing	142,761	195,171	137,711	
Community amenities	464,091	435,500	461,431	
Recreation and culture	69,214	47,088	96,031	
Transport	246,130	3,666,721	265,609	
Economic services	167,819	155,523	185,099	
Other property and services	139,184	131,583	123,722	
		2,291,830	7,184,819	3,154,278
Expenditure from operating activities				
Governance	(491,640)	(452,991)	(485,346)	
General purpose funding	(174,282)	(218,514)	(198,855)	
Law, order, public safety	(84,223)	(147,270)	(147,658)	
Health	(210,604)	(155,565)	(154,150)	
Education and welfare	(800,015)	(175,989)	(299,878)	
Housing	(313,270)	(155,703)	(178,753)	
Community amenities	(741,202)	(573,534)	(616,433)	
Recreation and culture	(1,136,614)	(1,172,151)	(1,143,712)	
Transport	(1,598,634)	(4,780,143)	(1,769,563)	
Economic services	(794,594)	(415,711)	(628,406)	
Other property and services	(36,296)	(71,381)	(29,718)	
		(6,381,374)	(8,318,952)	(5,652,472)
Operating activities excluded from budget				
(Profit) on asset disposals	6	(13,000)	(1,113)	(1,990)
Loss on disposal of assets	6	0	42,552	20,249
Depreciation on assets	2(a)	1,463,496	1,480,828	1,683,278
Movement in Leave Reserve (Added Back)		0	(5,514)	0
Movement in Deferred Pensioner Rates/ESL (non-current)		0	(2,624)	0
Movement in employee benefit provisions (non-current)		0	(11,275)	0
Amount attributable to operating activities		(2,210,672)	1,449,777	292,151
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	1,017,064	1,531,501	3,738,832
Purchase land held for resale	5	(20,000)	0	0
Purchase property, plant and equipment	5	(332,870)	(866,618)	(1,259,304)
Purchase and construction of infrastructure	5	(1,807,415)	(2,715,451)	(5,443,746)
Proceeds from disposal of assets	6	15,000	132,273	135,500
Amount attributable to investing activities		(1,128,221)	(1,918,295)	(2,828,718)
FINANCING ACTIVITIES				
Repayment of borrowings	7	(70,815)	(67,842)	(68,175)
Proceeds from new borrowings	7	0	0	0
Proceeds from self supporting loans		0	0	0
Transfers to cash backed reserves (restricted assets)	9	(278,751)	(1,341,679)	(519,121)
Transfers from cash backed reserves (restricted assets)	9	1,892,170	652,186	1,472,931
Amount attributable to financing activities		1,542,604	(757,335)	885,635
Budgeted deficiency before general rates		(1,796,289)	(1,225,853)	(1,650,932)
Estimated amount to be raised from general rates	8	1,796,853	1,654,229	1,650,932
Net current assets at end of financial year - surplus/(deficit)	4	564	428,376	0

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government 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 budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget 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 budget 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 Shire of Morawa controls resources to carry on its functions have been included in the financial statements forming part of this budget.

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 17 to the budget.

(b) 2016/17 actual balances

Balances shown in this budget as 2016/17 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding off figures

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

(d) Comparative figures

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

(e) Budget comparative figures

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Forecast fair value adjustments

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

(g) Rates, grants, donations and other contributions

Rates, grants, donations and other contributions are recognised as revenues when the Shire of Morawa 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.

(h) 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.

(i) Superannuation

The Shire of Morawa contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Morawa contributes are defined contribution plans.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, 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 shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

(k) 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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 resale

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.

(m) Fixed assets

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

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire of Morawa commenced the process of adopting fair value in accordance with the Regulations.

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

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

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire of Morawa 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 of the next anniversary date in accordance with the mandatory measurement framework detailed above.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fixed assets (continued)

Revaluation

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

Land under roads

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

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

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

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 profit or loss in the period which they arise.

Capitalisation Threshold

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities

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

Fair value is the price that the Shire of Morawa 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 (ie the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities (continued)

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire of Morawa 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.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

(o) Financial instruments

Initial recognition and measurement

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 has 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 for receipt of cash flows expire or the asset is transferred to another party, whereby the Shire of Morawa 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.

(p) Impairment of assets

In accordance with Australian Accounting Standards the Shire of Morawa 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 revaluation decrease in accordance with that other standard.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (continued)

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.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2018.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(q) Trade and other payables

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

(r) Employee benefits

Short-term employee benefits

Provision is made for the Shire of Morawa's obligations for short-term employee benefits.

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

The Shire of Morawa's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Shire of Morawa'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 or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) Provisions

Provisions are recognised when the Shire of Morawa has a 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.

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire of Morawa, 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.

(v) Investment in associates

An associate is an entity over which the Shire of Morawa has significant influence.

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

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire of Morawa'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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Investment in associates (continued)

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

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

(x) Interests in joint arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire of Morawa'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 20.

(y) Current and non-current classification

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
2. REVENUES AND EXPENSES			
(a) Net result			
The net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
Audit services	27,000	23,633	25,937
Other services	22,000	6,350	23,000
Depreciation by program			
Governance	28,286	28,260	26,611
Law, order, public safety	16,124	38,857	35,393
Health	22,413	22,393	20,697
Education and welfare	16,409	16,395	16,386
Housing	85,289	85,211	82,131
Community amenities	83,210	83,135	81,941
Recreation and culture	282,830	283,739	287,996
Transport	561,371	560,859	762,146
Economic services	142,504	142,373	138,513
Other property and services	225,060	219,606	231,464
	<u>1,463,496</u>	<u>1,480,828</u>	<u>1,683,278</u>
Depreciation by asset class			
Land and buildings	457,621	463,041	452,294
Furniture and equipment	13,394	13,553	4,231
Plant and equipment	228,537	231,244	274,044
Roads	493,050	498,888	723,794
Footpaths	20,779	21,025	20,612
Dams	35,915	36,340	0
Parks and ovals	7,679	7,770	7,632
Sewerage	73,523	74,394	72,248
Airfields	12,354	12,500	12,279
Playground equipment	5,238	5,300	5,206
Infrastructure other	115,406	116,773	110,938
	<u>1,463,496</u>	<u>1,480,828</u>	<u>1,683,278</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	20,920	21,653	22,704
	<u>20,920</u>	<u>21,653</u>	<u>22,704</u>
(ii) Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	63,862	52,673	200,000
- Other funds	10,000	10,332	10,000
Other interest revenue (refer note 12)	28,500	63,579	27,500
	<u>102,362</u>	<u>126,584</u>	<u>237,500</u>
(iii) Other revenue			
Reimbursements and recoveries	67,934	192,427	59,682
Other	70,055	70,076	71,055
	<u>137,989</u>	<u>262,503</u>	<u>130,737</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUES AND EXPENSES (Continued)

(b) Statement of objective

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

A VISION FOR MORAWA

MORAWA IS 'BREAKING NEW GROUND'

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

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

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

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

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

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

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

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

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

2. REVENUES AND EXPENSES (Continued)

(b) Statement of objective (Continued)

GOVERNANCE

Objective:

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

Activities:

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

GENERAL PURPOSE FUNDING

Objective:

To manage Council's finances.

Activities:

Includes Rates, Loans, Investments & Grants.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

Includes Emergency Services & Animal Control.

HEALTH

Objective:

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

Activities:

Includes Environmental Health, Medical & Health facilities.

EDUCATION AND WELFARE

Objective:

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

Activities:

Includes Education, Welfare & Children's Services.

HOUSING

Objective:

To ensure quality housing and appropriate infrastructure is maintained.

Activities:

Includes Staff & Other Housing.

COMMUNITY AMENITIES

Objective:

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

Activities:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUES AND EXPENSES (Continued)

(b) Statement of objective (Continued)

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

To effectively manage transport infrastructure.

Activities:

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

ECONOMIC SERVICES

Objective:

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

Activities:

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

OTHER PROPERTY & SERVICES

Objective:

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

Activities:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

3. 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. Estimated cash at the end of the reporting period is as follows:

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Cash - unrestricted	76,108	48,420	17,981
Cash - restricted	5,384,596	6,998,015	5,354,712
	<u>5,460,704</u>	<u>7,046,435</u>	<u>5,372,693</u>

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

Leave Reserve	208,748	281,137	261,740
Plant Reserve	953,929	905,518	938,842
Building Reserve	70,905	99,976	101,551
Economic Development Reserve	85,323	109,308	111,460
Community Development Reserve	1,188,589	1,187,559	1,020,235
Sewerage Reserve	180,834	216,306	219,186
Unspent Grants and Contributions Reserve	52,568	877,391	40,178
Morawa Community Trust Reserve	100,086	88,036	86,406
Morawa Community Future Funds Reserve	2,104,830	2,121,127	2,150,779
Refuse Transfer Station Reserve	27	27	138,780
Aged Care Units 6-9 Reserve	9,216	9,131	9,311
ST-N/Midlands Solar Thermal Power Reserve	14,830	559,632	28,146
ST-Morawa Revitalisation Reserve	0	176,558	0
Business Units	102,722	81,961	83,182
Legal Fees Reserve	25,364	20,177	20,478
Road Reserve	142,965	141,649	144,438
Aged Care Units 1-4 Reserve	68,595	67,964	0
Aged Care Unit 5 Reserve	55,065	54,558	0
Swimming Pool Reserve	20,000	0	0
	<u>5,384,596</u>	<u>6,998,015</u>	<u>5,354,712</u>

(b) Reconciliation of net cash provided by operating activities to net result

Net result	(1,275,627)	2,051,597	2,891,570
Depreciation	1,463,496	1,480,828	1,683,278
(Profit)/loss on sale of asset	(13,000)	41,439	18,259
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	152,500	847,278	872,055
(Increase)/decrease in inventories	0	0	0
Increase/(decrease) in payables	303,000	(297,664)	209,257
Increase/(decrease) in employee provisions	0	27,986	34,912
Grants/contributions for the development of assets	(1,017,064)	(1,531,501)	(3,738,832)
Net cash from operating activities	<u>(386,695)</u>	<u>2,619,963</u>	<u>1,970,499</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

3. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
(c) Undrawn borrowing facilities			
credit standby arrangements			
Bank overdraft limit	0	0	800,000
Bank overdraft at balance date	0	0	0
Credit card limit	15,000	15,000	15,000
Credit card balance at balance date	0	(3,350)	0
Total amount of credit unused	<u>15,000</u>	<u>11,650</u>	<u>815,000</u>
 Loan facilities			
Loan facilities in use at balance date	<u>380,682</u>	<u>451,497</u>	<u>451,164</u>
 Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>

	Note	2017/18 Budget \$	2016/17 Actual \$
--	------	-------------------------	-------------------------

4. NET CURRENT ASSETS

Composition of estimated net current assets

Current assets

Cash - unrestricted	3(a)	76,108	48,420
Cash - restricted reserves	3(a)	5,384,596	6,998,015
Receivables		390,142	542,642
Inventories		21,335	1,335
		<u>5,872,181</u>	<u>7,590,412</u>

Less: current liabilities

Trade and other payables		(363,497)	(60,497)
Short term borrowings		0	0
Long term borrowings		(56,939)	6,938
Provisions		<u>(384,662)</u>	<u>(384,662)</u>
		<u>(805,098)</u>	<u>(438,221)</u>

Unadjusted net current assets

5,067,083 7,152,191

Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with *Local Government (Financial Management) Regulation 32* as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments below.

Adjustments

Less: Cash - restricted reserves	3(a)	(5,384,596)	(6,998,015)
Less: Land held for resale		(20,000)	0
Less: Current loans - clubs / institutions		0	0
Add: Current portion of borrowings		56,939	(6,938)
Add: Current liabilities not expected to be cleared at end of year		281,138	281,138
Adjusted net current assets - surplus/(deficit)		<u><u>564</u></u>	<u><u>428,376</u></u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

5. ACQUISITION OF ASSETS

The following assets are budgeted to be acquired during the year.

Asset class	Reporting program										2017/18 Budget total \$	2016/17 Actual total \$
	Governance \$	General purpose funding \$	Law, order, public safety \$	Health \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	Economic services \$	Other property and services \$	
<u>Property, Plant and Equipment</u>												
Land and buildings	50,000					60,000		20,000		25,000		76,121
Furniture and equipment								20,000			2,870	0
Plant and equipment							135,000				20,000	790,497
	50,000	0	0	0	0	60,000	135,000	40,000	0	25,000	22,870	866,618
<u>Infrastructure</u>												
Roads									1,631,978			1,631,978
Footpaths									27,937			27,937
Airfields									10,000			10,000
Infrastructure other							70,000	30,000		37,500		137,500
	0	0	0	0	0	0	70,000	30,000	1,669,915	37,500	0	1,807,415
<u>Land Held for Resale</u>												
Land held for resale										20,000		20,000
Total acquisitions	50,000	0	0	0	0	60,000	205,000	70,000	1,669,915	82,500	22,870	3,582,069

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- plant replacement programme
- other property, plant and equipment
- road replacement programme
- other parks and ovals

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

6. DISPOSALS OF ASSETS

The following assets are budgeted to be disposed of during the year.

<u>By Program</u>	Net book value	Sale proceeds	2017/18 Budget Profit	2017/18 Budget Loss	2016/17 Actual Profit	2016/17 Actual Loss	2016/17 Budget Profit	2016/17 Budget Loss
Law, order, public safety	0	\$ 0	0	\$ 0	0	\$ (17,192)	\$ 0	\$ 0
Community amenities	2,000	15,000	13,000	0	0	0	0	0
Transport	0	0	0	0	1,113	(6,937)	1,500	(18,138)
Other property and services	0	0	0	0	0	(18,423)	490	(2,111)
	2,000	15,000	13,000	0	1,113	(42,552)	1,990	(20,249)

<u>By Class</u>	Net book value	Sale proceeds	2017/18 Budget Profit	2017/18 Budget Loss	2016/17 Actual Profit	2016/17 Actual Loss	2016/17 Budget Profit	2016/17 Budget Loss
Plant and equipment	2,000	15,000	13,000	0	1,113	(42,552)	1,990	(20,249)

A detailed breakdown of disposals on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- Staff housing programme
- plant replacement programme

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

7. INFORMATION ON BORROWINGS

(a) Borrowing repayments

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

Purpose	Principal 1-Jul-17	New loans	Principal repayments		Principal outstanding		Interest repayments	
			2017/18 Budget	2016/17 Actual	2017/18 Budget	2016/17 Actual	2017/18 Budget	2016/17 Actual
			\$	\$	\$	\$	\$	\$
Housing								
Loan 133 - GEHA House	69,522	0	34,156	33,092	35,366	69,522	4,600	4,889
Loan 134 - 2 Broad Street	49,838	0	24,158	22,726	25,680	49,838	3,389	3,338
Loan 136 - 24 Harley Street	332,137	0	12,501	12,024	319,636	332,137	12,931	13,426
	451,497	0	70,815	67,842	380,682	451,497	20,920	21,653

All borrowing repayments will be financed by general purpose revenue.

(b) New borrowings - 2017/18

The Shire does not expect to borrow any funds in the 2017/18 financial year.

(c) Unspent borrowings

The Shire had no unspent borrowing funds as at 30th June 2017 nor is it expected to have unspent borrowing funds as at 30th June 2018.

(d) Overdraft

The Shire utilised an overdraft facility during the financial year which was held with Bankwest. The overdraft facility of \$800,000 was in place for 3 months only. It is not anticipated that a facility will be required to be raised during 2017/18.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

8. RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2017/18 Budgeted rate revenue \$	2017/18 Budgeted interim rates \$	2017/18 Budgeted back rates \$	2017/18 Budgeted total revenue \$	2016/17 Actual \$
Differential general rate or general rate								
GRV Residential/Commercial	0.075707	269	2,829,588	214,220	0	0	214,220	217,201
UV Rural	0.023043	205	63,004,000	1,451,801	0	0	1,451,801	1,306,460
UV Mining	0.289681	15	472,333	136,826	0	0	136,826	135,886
Sub-Totals		489	66,305,921	1,802,847	0	0	1,802,847	1,659,547
Minimum payment								
GRV Residential/Commercial	290	45	26,778	13,050	0	0	13,050	13,392
UV Rural	290	6	53,200	1,740	0	0	1,740	1,953
UV Mining	656	11	11,311	7,216	0	0	7,216	7,216
Sub-Totals		62	91,289	22,006	0	0	22,006	22,561
Discounts/concessions (Refer note 13)								
Total amount raised from general rates		551	66,397,210	1,824,853	0	0	1,824,853	1,682,108
Specified area rates (Refer note 10)								
Ex-Gratia Rates							(28,000)	(27,879)
Rates Written Off							1,796,853	1,654,229
Movement in Excess Rates							0	0
Total rates							5,792	5,792
							(2,000)	(1,625)
							0	5,741
							1,800,645	1,664,137

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

8(a). RATING INFORMATION
Statement of Objects and Reasons

In accordance with Section 6.36 of the Local Government Act 1995 and the notice of Council's intention to levy Differential Rates for the 2017/2018 financial year, the following is the proposed Differential Rates and Minimum Payments for the Shire of Morawa and the Objects and Reasons for these Differential Rates.

<i>Rate Type</i>	<i>Rate in the Dollar (Cents)</i>	<i>Minimum \$</i>
GRV Residential/ Commercial	7.5707	290
UV Rural	2.3043	290
UV Mining	28.9681	656

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of the Local Government services/facilities.

OVERALL OBJECTIVE

The overall objective of the proposed rates in the dollar and minimum payments in the 2017/2018 Budget is to provide for the net funding requirements of Council's Operational and Capital Budget. The estimated rates in the dollar and minimum payments indicated above, are based on a 2.1% increase on the previous year rate in the dollar for GRV Residential and Commercial Properties and for UV Rural Properties only, with no increase for UV Mining Properties.

The basis for the calculation of Rates is either the Gross Rental Value (GRV) or Unimproved Value (UV) for each individual property; these valuations are provided by the Valuer General's Office.

GRV Residential/Commercial

The object of the GRV rates and minimum payments is to require a fair contribution to the revenue requirements of the Shire, which include but not limited to - street lighting, entrance statements, town square, cleaning of facilities, public parks and gardens, sporting facilities, tourist information, youth centre, medical, refuse collections, aerodrome - while not risking additional financial pressure on the uses in those areas that affect their long term viability. They have been in the past, and are likely to continue into the long term future, to provide the main support for the social and economic life of the Shire. The reasons for the levels of rates and minimum payments set is that they allow for a fair contribution to the revenue requirements of the Shire at the highest sustainable level.

Differential general rate

Description	Characteristics	Objects	Reasons
UV RURAL	Pastoral and Agricultural	To raise the amount of revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.	The rate in the dollar for this category is set at a comparatively low amount to offset the relatively high property valuations in this category. The Shire has a large pastoral and agricultural sector and is that it be maintained throughout difficult times.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

8(a). RATING INFORMATION (continued)
Statement of Objects and Reasons (continued)

UV MINING	Mining	<p>To raise the amount of revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.</p> <p>The reasons that the rate in the dollar has been set at a comparatively high amount is to offset the relatively low property valuations in this rating category. Being mindful that operators in the mining industry, when they come to the district, have the advantage of all the established Shire services and facilities which often have been provided by the rates contributed in the long term by ratepayers in other sectors, who will continue to in the long term future to contribute in the same way. The maintenance of Shire assets and services for the benefit of all users, long term and short term, is a burden which, to a significant extent, falls upon the long term ratepayers.</p> <p>It is not uncommon for operators in the mining sector to be present in the district for a short period with a prospect of withdrawing very substantial profits in that time, exploiting the mineral resources of the district. There activities have a greater short term impact on local roads and waste management services along with other shire principal services as detailed above that of any other ratepayer. This is not a criticism and simply recognises the often transitory nature of mining enterprises. The mining sector stands to be a beneficiary of the existence and maintenance of the Shire's assets and services to the extent that the mining operators and their connections use them.</p>
Differential minimum payment		
Description	Characteristics	Objects
UV RURAL	Pastoral and Agricultural	<p>To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.</p> <p>Minimum rates are set at a lower level to allow the Rural sector to be maintained throughout difficult times.</p>
UV MINING	Mining	<p>To raise revenue that Council believes is required to operate efficiently and to provide the diverse range of services and facilities.</p> <p>Minimum rates for the mining sector are set to allow for a fair contribution of revenue for the Shire to achieve a sustainable level of revenue requirements.</p>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

9. CASH BACKED RESERVES

	2017/18 Budget Opening balance	2017/18 Budget Transfer to	2017/18 Budget Transfer (from)	2017/18 Actual Opening balance	2017/18 Actual Transfer to	2017/18 Actual Transfer (from)	2017/18 Actual Closing balance	2016/17 Budget Opening balance	2016/17 Budget Transfer to	2016/17 Budget Transfer (from)	2016/17 Budget Closing balance
Leave Reserve	\$ 281,137	\$ 7,611	\$ (80,000)	\$ 208,748	\$ 8,377	\$ (13,892)	\$ 281,137	\$ 286,652	\$ 14,088	\$ (39,000)	\$ 261,740
Plant Reserve	905,518	108,411	(60,000)	953,929	166,184	(202,010)	905,518	941,344	198,998	(201,500)	938,842
Building Reserve	99,976	20,929	(50,000)	70,905	20,931	0	99,976	79,045	22,506	0	101,551
Economic Development Reserve	109,308	1,015	(25,000)	85,323	1,273	0	109,308	108,035	3,425	0	111,460
Community Development Reserve	1,187,559	11,030	(10,000)	1,188,589	10,966	(200,000)	1,187,559	1,376,593	43,642	(400,000)	1,020,235
Sewerage Reserve	216,306	34,528	(70,000)	180,834	71,704	0	216,306	144,602	74,584	0	219,186
Unspent Grants and Contributions Reserve	877,391	8,149	(832,972)	52,568	852,969	(68,321)	877,391	92,743	2,940	(55,505)	40,178
Morawa Community Trust Reserve	88,036	12,050	0	100,086	33,331	0	88,036	54,705	31,701	0	86,406
Morawa Community Future Funds Reserve	2,121,127	19,703	(36,000)	2,104,830	13,214	(32,687)	2,121,127	2,140,600	67,861	(57,682)	2,150,779
Refuse Transfer Station Reserve	27	0	0	27	788	(135,276)	27	134,515	4,265	0	138,780
Aged Care Units 6-9 Reserve	9,131	85	0	9,216	106	0	9,131	9,025	286	0	9,311
ST-N/Midlands Solar Thermal Power Reserve	559,632	5,198	(550,000)	14,830	8,945	0	559,632	550,687	17,459	(540,000)	28,146
ST-Morawa Revitalisation Reserve	176,558	1,640	(178,198)	0	2,822	0	176,558	173,736	5,508	(179,244)	0
Business Units	81,961	20,761	0	102,722	20,721	0	81,961	61,240	21,942	0	83,182
Legal Fees Reserve	20,177	5,187	0	25,364	5,177	0	20,177	15,000	5,478	0	20,478
Road Reserve	141,649	1,316	0	142,965	1,649	0	141,649	140,000	4,438	0	144,438
Aged Care Units 1-4 Reserve	67,964	631	0	68,595	67,964	0	67,964	0	0	0	0
Aged Care Unit 5 Reserve	54,558	507	0	55,065	54,558	0	54,558	0	0	0	0
Swimming Pool Reserve	0	20,000	0	20,000	0	0	0	0	0	0	0
	6,998,015	278,751	(1,892,170)	5,384,596	1,341,679	(652,186)	6,998,015	6,308,522	519,121	(1,472,931)	5,354,712

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

9. CASH BACKED RESERVES (Continued)

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

Reserve name	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	- to be used to fund leave requirements.
Plant Reserve	Ongoing	- to be used to upgrade, replace or purchase new plant and equipment.
Building Reserve	Ongoing	- to be used to refurbish, replace, extend or establish Council owned buildings.
Economic Development Reserve	Ongoing	- to be used to create economic development initiatives in the local community.
Community Development Reserve	Ongoing	- to be used for Community Projects within the Shire of Morawa
Sewerage Reserve	Ongoing	- to be used to repair, replace or extend the sewerage facility.
Unspent Grants and Contributions Reserve	Ongoing	- to be used as a quarantine for unspent committed funds.
Morawa Community Trust Reserve	Ongoing	- to be used for Morawa Community Projects
Morawa Community Future Funds Reserve	Ongoing	- to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum.
Refuse Transfer Station Reserve	17/18	- to be used for Morawa Landfill closure
Aged Care Units 6-9 Reserve	Ongoing	- to be used for the maintenance/ construction of Aged Care Units at the Morawa Perenjori Health Centre
ST-N/Midlands Solar Thermal Power Reserve	Ongoing	- Super Town funds to be used for the N/Midlands Solar Thermal Power feasibility Study Project
ST-Morawa Revitalisation Reserve	17/18	- Super Town funds to be used for the Morawa Town Revitalisation Project
Business Units	Ongoing	- to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units
Legal Fees Reserve	Ongoing	- to be utilised for unforeseen Legal Fees.
Road Reserve	Ongoing	- to be utilised for future Road Construction and Maintenance.
Aged Care Units 1-4 Reserve	Ongoing	- to be used for the maintenance/upgrade of Aged Care Units 1-4 at the Morawa Perenjori Health Centre
Aged Care Unit 5 Reserve	Ongoing	- to be used for the maintenance/upgrade Aged Care Unit 5 at the Morawa Perenjori Health Centre
Swimming Pool Reserve	Ongoing	- to be used for the maintenance/upgrade to Morawa Swimming Pool

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

10. SPECIFIED AREA RATE

No Specified Area Rates will be levied in 2017/18.

11. SERVICE CHARGES

The Shire of Morawa does not intend to raise any Service Charges during 2017/18.

12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES

The following instalment options are available to ratepayers for the payment of rates and service charges.

Instalment options	Date due	Instalment plan admin charge \$	Instalment plan interest rate %	Unpaid rates interest rates %
Option one				
Single full payment	3/10/2017			5.50%
Option two				
First Instalment	3/10/2017			5.50%
Second Instalment	5/02/2018	5	5.50%	5.50%
Option three				
First Instalment	3/10/2017			5.50%
Second Instalment	4/12/2017	5	5.50%	5.50%
Third Instalment	5/02/2018	5	5.50%	5.50%
Fourth Instalment	5/04/2018	5	5.50%	5.50%
		2017/18 Budget revenue \$	2016/17 Actual \$	
Instalment plan admin charge revenue		1,000	970	
Instalment plan interest earned		3,500	3,423	
Unpaid rates interest earned		25,000	60,156	
		<u>29,500</u>	<u>64,549</u>	

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

Rates discounts				Circumstances in which discount is granted	Reasons for the waiver or concession
Rate or fee to which discount is granted	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$		
General rates	2.5%	28,000	27,879	A discount of 2.50% of the current rates levied (excluding Rubbish and ESL) will be offered to rate payers whose payment of the full amount owing, including arrears, and service charges is received on or before Tuesday 3rd October 2017 or 35 days after the date of service appearing on the rate notice, whichever is the later.	
		<u>28,000</u>	<u>27,879</u>		
Waivers or concessions				Circumstances in which the waiver or concession is granted	Reasons for the waiver or concession
Rate or fee and charge to which the waiver or concession is granted	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$		
Nil		<u>0</u>	<u>0</u>		

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

	2017/18	2016/17
	Budget	Actual
	\$	\$
14. FEES & CHARGES REVENUE		
Governance	10	40
General purpose funding	3,520	6,049
Law, order, public safety	3,325	2,129
Health	350	471
Education and welfare	2,000	190
Housing	140,511	66,070
Community amenities	451,091	434,155
Recreation and culture	37,214	40,269
Transport	422	882
Economic services	167,764	177,584
Other property and services	31,000	30,215
	<u>837,207</u>	<u>758,054</u>
15. GRANT REVENUE		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
By Program:		
Operating grants, subsidies and contributions		
General purpose funding	787,468	2,359,438
Law, order, public safety	18,905	18,968
Education and welfare	131,899	18,993
Housing	0	4,546
Recreation and culture	32,000	5,000
Transport	227,208	3,647,212
Economic services	0	(30,000)
Other property and services	0	2,500
	<u>1,197,480</u>	<u>6,026,657</u>
Non-operating grants, subsidies and contributions		
Governance	20,000	0
Law, order, public safety	0	370,940
Education and welfare	0	11,000
Housing	5,000	0
Community amenities	90,000	3,829
Recreation and culture	0	219,500
Transport	846,564	926,232
Economic services	55,500	0
	<u>1,017,064</u>	<u>1,531,501</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 Budget \$	2016/17 Actual \$
16. ELECTED MEMBERS REMUNERATION		
The following fees, expenses and allowances were paid to council members and/or the President.		
Meeting fees	64,000	64,000
President's allowance	17,000	17,000
Deputy President's allowance	4,250	4,250
Travelling expenses	200	0
Telecommunications allowance	1,500	1,270
	86,950	86,520

17. TRUST FUNDS

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

Detail	Balance 1-Jul-17 \$	Estimated amounts received \$	Estimated amounts paid (\$)	Estimated balance 30-Jun-18 \$
Housing Bonds	2,000	600	(900)	1,700
Dreghorn Unit Bonds	1,164	0	0	1,164
Bonds Hall/Rec Centre Hire	100	200	(300)	0
Aged Care - Bond Karl Strudwick Number 5	1,266	0	0	1,266
Youth Centre	865	0	0	865
Council Nominations	0	320	(320)	0
Bill Johnson Unit 1 Bond	0	0	0	0
Haulmore Trailers Land Dep	4,641	0	0	4,641
Social Club Payments	0	0	0	0
Local Drug Action Group	660	0	(400)	260
BCITF/BRB Training Levy	1,818	3,600	(5,418)	(0)
Daphne Little - Excess Rent	1,704	0	(1,704)	0
Morawa Oval Function Centre	1,762	0	0	1,762
	15,980	4,720	(9,042)	11,658

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

18. MAJOR LAND TRANSACTIONS

It is not anticipated any Major Land Transactions will occur in 2017/18.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2017/18.

20. INTERESTS IN JOINT ARRANGEMENTS

The Shire of Morawa is involved in the following Joint Venture agreements with the Department of Housing & Works:

Lot 55 (33) Dreghorn Street - Units 1, 2 & 3.

Lot 559 (48) Yewers Avenue - Units 1, 2, 3 & 4

