



SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
26 Winfield Street
Morawa WA 6623

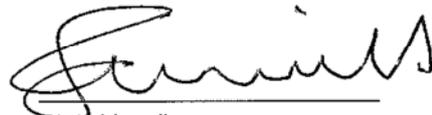
**SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 20 day of December 2017



Chris Linnell
Chief Executive Officer

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	22	1,664,137	1,654,224	1,450,696
Operating grants, subsidies and contributions	29	6,026,656	1,914,295	2,243,040
Fees and charges	28	762,018	866,464	735,323
Interest earnings	2(a)	172,463	237,500	171,813
Other revenue	2(a)	153,973	130,737	202,664
		<u>8,779,247</u>	<u>4,803,220</u>	<u>4,803,536</u>
Expenses				
Employee costs		(1,582,206)	(1,664,521)	(1,965,357)
Materials and contracts		(4,373,167)	(1,571,884)	(2,302,155)
Utility charges		(503,598)	(341,848)	(292,392)
Depreciation on non-current assets	2(a)	(1,470,054)	(1,683,278)	(1,501,236)
Interest expenses	2(a)	(22,752)	(22,704)	(20,945)
Insurance expenses		(200,120)	(178,523)	(214,099)
Other expenditure		(126,586)	(169,465)	(142,062)
		<u>(8,278,483)</u>	<u>(5,632,223)</u>	<u>(6,438,246)</u>
		500,764	(829,003)	(1,634,710)
Non-operating grants, subsidies and contributions	29	2,265,831	3,738,832	1,291,028
Profit on asset disposals	20	1,112	1,990	0
(Loss) on asset disposals	20	(42,551)	(20,249)	(74,790)
Reversal of prior year loss on revaluation of Infrastructure - Parks and Ovals	7(b)	18,667	0	0
Net result		2,743,823	2,891,570	(418,472)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(4,316,578)	0	(1,654)
Total other comprehensive income		(4,316,578)	0	(1,654)
Total comprehensive income		<u>(1,572,755)</u>	<u>2,891,570</u>	<u>(420,126)</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 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Governance		40	10	379
General purpose funding		4,202,542	3,437,377	2,375,239
Law, order, public safety		25,098	44,720	47,692
Health		3,328	8,000	59,064
Education and welfare		22,333	45,500	17,905
Housing		83,297	137,711	46,856
Community amenities		435,500	461,431	538,402
Recreation and culture		47,087	96,031	55,653
Transport		3,665,610	264,109	1,358,121
Economic services		156,933	185,099	210,929
Other property and services		137,479	123,232	93,296
		<u>8,779,247</u>	<u>4,803,220</u>	<u>4,803,536</u>
Expenses				
Governance		(449,851)	(485,346)	(453,942)
General purpose funding		(196,911)	(198,855)	(193,155)
Law, order, public safety		(129,794)	(147,658)	(147,445)
Health		(155,117)	(154,150)	(260,507)
Education and welfare		(176,028)	(299,878)	(285,792)
Housing		(130,093)	(156,049)	(100,213)
Community amenities		(585,147)	(616,433)	(482,500)
Recreation and culture		(1,164,883)	(1,143,712)	(1,107,713)
Transport		(4,808,643)	(1,751,425)	(2,808,160)
Economic services		(415,210)	(628,406)	(538,733)
Other property and services		(44,054)	(27,607)	(39,141)
		<u>(8,255,731)</u>	<u>(5,609,519)</u>	<u>(6,417,301)</u>
Finance costs				
Housing	2(a)	(22,752)	(22,704)	(20,945)
		<u>(22,752)</u>	<u>(22,704)</u>	<u>(20,945)</u>
		500,764	(829,003)	(1,634,710)
Non-operating grants, subsidies and contributions	29	2,265,831	3,738,832	1,291,028
Profit on disposal of assets	20	1,112	1,990	0
(Loss) on disposal of assets	20	(42,551)	(20,249)	(74,790)
Reversal of prior year loss on revaluation of Infrastructure - Parks and Ovals	7(b)	18,667	0	0
Net result		<u>2,743,823</u>	<u>2,891,570</u>	<u>(418,472)</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(4,316,578)	0	(1,654)
Total other comprehensive income		<u>(4,316,578)</u>	<u>0</u>	<u>(1,654)</u>
Total comprehensive income		<u>(1,572,755)</u>	<u>2,891,570</u>	<u>(420,126)</u>

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

SHIRE OF MORAWA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	7,138,224	6,412,609
Trade and other receivables	4	685,729	1,392,544
Inventories	5	1,118	1,335
TOTAL CURRENT ASSETS		<u>7,825,071</u>	<u>7,806,488</u>
NON-CURRENT ASSETS			
Other receivables	4	16,559	13,935
Property, plant and equipment	6	23,105,106	26,518,884
Infrastructure	7	44,071,710	42,483,353
TOTAL NON-CURRENT ASSETS		<u>67,193,375</u>	<u>69,016,172</u>
TOTAL ASSETS		<u>75,018,446</u>	<u>76,822,660</u>
CURRENT LIABILITIES			
Trade and other payables	8	165,459	358,161
Current portion of long term borrowings	9	70,815	66,743
Provisions	10	384,662	345,401
TOTAL CURRENT LIABILITIES		<u>620,936</u>	<u>770,305</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	381,781	452,596
Provisions	10	26,386	37,661
TOTAL NON-CURRENT LIABILITIES		<u>408,167</u>	<u>490,257</u>
TOTAL LIABILITIES		<u>1,029,103</u>	<u>1,260,562</u>
NET ASSETS		<u>73,989,343</u>	<u>75,562,098</u>
EQUITY			
Retained surplus		34,337,219	32,282,013
Reserves - cash backed	11	6,997,139	6,308,522
Revaluation surplus	12	32,654,985	36,971,563
TOTAL EQUITY		<u>73,989,343</u>	<u>75,562,098</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 2017

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		32,181,061	6,827,946	36,973,217	75,982,224
Comprehensive income					
Net result		(418,472)	0	0	(418,472)
Changes on revaluation of assets	12	0	0	(1,654)	(1,654)
Total comprehensive income		(418,472)	0	(1,654)	(420,126)
Transfers from/(to) reserves		519,424	(519,424)	0	0
Balance as at 30 June 2016		32,282,013	6,308,522	36,971,563	75,562,098
Comprehensive income					
Net result		2,743,823	0	0	2,743,823
Changes on revaluation of assets	12	0	0	(4,316,578)	(4,316,578)
Total comprehensive income		2,743,823	0	(4,316,578)	(1,572,755)
Transfers from/(to) reserves		(688,617)	688,617	0	0
Balance as at 30 June 2017		34,337,219	6,997,139	32,654,985	73,989,343

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 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,548,484	1,804,224	1,316,278
Operating grants, subsidies and contributions		6,824,109	2,634,295	1,631,293
Fees and charges		806,021	866,464	720,825
Interest earnings		172,463	237,500	177,037
Goods and services tax		776,355	502,055	371,974
Other revenue		143,394	130,737	206,410
		<u>10,270,826</u>	<u>6,175,275</u>	<u>4,423,817</u>
Payments				
Employee costs		(1,582,062)	(1,625,407)	(1,931,790)
Materials and contracts		(4,536,450)	(1,366,829)	(2,137,801)
Utility charges		(503,598)	(341,848)	(292,392)
Interest expenses		(24,112)	(22,704)	(21,812)
Insurance expenses		(200,120)	(178,523)	(214,099)
Goods and services tax		(787,388)	(500,000)	(364,464)
Other expenditure		(126,586)	(169,465)	(142,062)
		<u>(7,760,316)</u>	<u>(4,204,776)</u>	<u>(5,104,420)</u>
Net cash provided by (used in) operating activities	13(b)	<u>2,510,510</u>	<u>1,970,499</u>	<u>(680,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	*	(1,321,521)	(1,259,304)	(570,399)
Payments for construction of infrastructure		(2,700,965)	(5,443,746)	(1,851,430)
Non-operating grants, subsidies and contributions	*	2,172,061	3,738,832	1,291,028
Proceeds from sale of fixed assets		132,273	135,500	35,909
Net cash provided by (used in) investment activities		<u>(1,718,152)</u>	<u>(2,828,718)</u>	<u>(1,094,892)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(66,743)	(68,175)	(76,622)
Proceeds from new debentures		0	0	350,000
Net cash provided by (used in) financing activities		<u>(66,743)</u>	<u>(68,175)</u>	<u>273,378</u>
Net increase (decrease) in cash held		725,615	(926,394)	(1,502,117)
Cash at beginning of year		6,412,609	6,299,087	7,914,726
Cash and cash equivalents at the end of the year	13(a)	<u><u>7,138,224</u></u>	<u><u>5,372,693</u></u>	<u><u>6,412,609</u></u>

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

* - The above figures vary from the Rate Setting Statement due to the recognition of land at fair value which was transferred for nominal consideration from Landcorp.

SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017

NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>1,081,056</u>	<u>1,088,808</u>	<u>1,502,728</u>
	1,081,056	1,088,808	1,502,728
Revenue from operating activities (excluding rates)			
Governance	40	10	379
General purpose funding	2,548,313	1,786,445	838,629
Law, order, public safety	25,098	44,720	47,692
Health	3,328	8,000	59,064
Education and welfare	22,333	45,500	17,905
Housing	83,297	137,711	46,856
Community amenities	435,500	461,431	538,402
Recreation and culture	47,087	96,031	55,653
Transport	3,666,722	265,609	1,358,121
Economic services	156,933	185,099	210,929
Other property and services	137,479	123,722	93,296
	<u>7,126,130</u>	<u>3,154,278</u>	<u>3,266,926</u>
Expenditure from operating activities			
Governance	(449,851)	(485,346)	(453,942)
General purpose funding	(178,244)	(198,855)	(193,155)
Law, order, public safety	(146,986)	(147,658)	(147,445)
Health	(155,117)	(154,150)	(274,928)
Education and welfare	(176,028)	(299,878)	(285,792)
Housing	(152,845)	(178,753)	(121,158)
Community amenities	(585,147)	(616,433)	(482,500)
Recreation and culture	(1,164,883)	(1,143,712)	(1,155,380)
Transport	(4,815,580)	(1,769,563)	(2,808,160)
Economic services	(415,210)	(628,406)	(538,733)
Other property and services	(62,476)	(29,718)	(51,843)
	<u>(8,302,367)</u>	<u>(5,652,472)</u>	<u>(6,513,036)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	20	(1,112)	(1,990)
Loss on disposal of assets	20	42,551	20,249
Reversal of loss upon revaluation of non-current assets		(18,667)	0
Movement in deferred pensioner rates (non-current)		(2,624)	0
Movement in employee benefit provisions (non-current)		(11,275)	0
Movement in LSL Reserve (Added Back)		(5,515)	0
Depreciation and amortisation on assets	2(a)	1,470,054	1,683,278
Amount attributable to operating activities		<u>1,378,231</u>	<u>292,151</u>
		1,378,231	292,151
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		2,265,831	3,738,832
Proceeds from disposal of assets	20	132,273	135,500
Purchase of property, plant and equipment	6(b)	(1,415,291)	(1,259,304)
Purchase and construction of infrastructure	7(b)	(2,700,965)	(5,443,746)
Amount attributable to investing activities		<u>(1,718,152)</u>	<u>(2,828,718)</u>
		(1,718,152)	(2,828,718)
FINANCING ACTIVITIES			
Repayment of debentures	21(a)	(66,743)	(68,175)
Proceeds from new debentures	21(a)	0	0
Transfers to reserves (restricted assets)	11	(1,340,804)	(519,121)
Transfers from reserves (restricted assets)	11	652,187	1,472,931
Amount attributable to financing activities		<u>(755,360)</u>	<u>885,635</u>
		(755,360)	885,635
Surplus(deficiency) before general rates		<u>(1,095,281)</u>	<u>(1,650,932)</u>
Total amount raised from general rates	22	<u>1,654,229</u>	<u>1,650,932</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u><u>558,948</u></u>	<u><u>0</u></u>
		558,948	0

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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

(a) Goods and Services Tax (GST)

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

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

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

(b) 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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(k) 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.

(l) Provisions

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

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

(m) Leases

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

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

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) 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(n) for a description of the equity method of accounting.

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

(p) 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.

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

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.

(q) Superannuation

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) 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 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

Notes:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

(w) Adoption of New and Revised Accounting Standards

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

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

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Shire 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 FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

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

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

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

Activities:

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

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 AND SERVICES

Objective:

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

Activities:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Governance							
Lottery West - Old Council Chambers	5,985	84,974	(90,959)	0	0	0	0
Education and welfare							
Dept of Culture & Arts - Cloud Chasing	27,275 *	0	(23,293)	3,982 *	0	(3,982)	0
Community amenities							
Royalties For Regions 11/12 Local - Refuse Transfer Station	196,097 *	0	(69,578)	126,519 *	0	(126,519)	0
Dept of Planning - Omnibus Scheme Amendments	2,579	0	(2,579)	0	0	0	0
Dept of Planning - Local Planning Strategy	4,920	85,000	(89,920)	0	0	0	0
Dept of Planning - Urban Design Funding	204	0	(204)	0	0	0	0
Recreation and culture							
Dept of Sport & Recreation - Swimming Pool	0	32,000	0	32,000	0	0	32,000 *
Main Roads - Roadwise Safety Strategic Plan	0	6,900	0	6,900	0	(6,900)	0
Royalties For Regions 12/13 Local - Swimming Pool	167,605	0	(167,605)	0	0	0	0
Dept of Sport & Recreation - Swimming Pool	57,429	172,287	(229,716)	0	0	0	0
Dept of Sport & Recreation - Kidsport	0	0	0	0	5,000	(1,499)	3,501
Transport							
Roads to Recovery - Auslink	50,674	734,282	(424,297)	360,659	593,566	(836,831)	117,394 @
Economic services							
Morawa Community Trust	10,944 *	53,861	(10,100)	54,705 *	33,331	0	88,036 *
Midwest Sinosteel - Morawa Future Funds	925,000 *	0	0	925,000 *	0	0	925,000 *
Midwest Corp - Road Funds	244,234 *	0	0	244,234 *	0	0	244,234 *
Super Towns - North Midlands Solar Thermal Power Project	540,136 *	10,551	0	550,687 *	8,279	0	558,966 * @
RDL - Super Towns - Morawa Revitalisation	507,844 *	0	(359,047)	148,797 *	0	(81,170)	67,627 * @
MWIP - Super Towns - Morawa Revitalisation	112,607 *	27,898	(100,000)	40,505 *	2,612	0	43,117 * @
Sinosteel - Wildflower Trails Project	0	30,000	0	30,000	0	(30,000)	0
Other property and services							
Water Corporation - Revegetation Funds	10,000 *	2,358	0	12,358 *	209	0	12,567 * @
Total	2,863,533	1,240,111	(1,567,298)	2,536,346	642,997	(1,086,901)	2,092,442

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.
- (*) - All or part of these unspent contributions were held in reserve funds at the end of June.
- (@) - At 30 June 2017 the Shire had committed this funding for use in accordance with the funding agreement.

Disclosed as follows:

	2017	2016
	\$	\$
- Restricted Cash (Note 3)	120,895	429,559
- Unspent Grants and Contributions Reserve (Note 11)	87,684	56,845
- Morawa Community Trust Reserve (Note 11)	88,036	54,705
- Morawa Community Future Funds Reserve (Note 11)	1,169,234	1,169,234
- Refuse Transfer Station Reserve (Note 11)	0	126,519
- Super Towns - North Midlands Solar Thermal Power Reserve (Note 11)	558,966	550,687
- Super Towns - Morawa Revitalisation Reserve (Note 11)	67,627	148,797
	<u>2,092,442</u>	<u>2,536,346</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Cash on Hand - Unrestricted		550	550
Cash at Bank - Municipal		140,535	103,537
Restricted - Reserves		6,997,139	6,308,522
		<u>7,138,224</u>	<u>6,412,609</u>
Cash at Bank - Municipal			
Unrestricted Cash		19,640	(326,022)
Restricted Cash		120,895	429,559
		<u>140,535</u>	<u>103,537</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	11	281,137	286,652
Plant Reserve	11	905,518	941,344
Building Reserve	11	99,976	79,045
Economic Development Reserve	11	109,308	108,035
Community Development Reserve	11	1,187,559	1,376,593
Sewerage Reserve	11	216,306	144,602
Unspent Grants and Contributions Reserve	11	877,390	92,743
Morawa Future Funds Interest Reserve	11	88,036	54,705
Morawa Community Future Funds Reserve	11	2,121,127	2,140,600
Refuse Transfer Station Reserve	11	27	134,515
Aged Care Units Reserve	11	9,131	9,025
ST-N/Midlands Solar Thermal Power Reserve	11	# 558,966	550,687
ST-Morawa Revitalisation Reserve	11	# 176,348	173,736
Business Units Reserve	11	81,962	61,240
Legal Fees Reserve	11	20,177	15,000
Road Reserve	11	141,649	140,000
Aged Care ex MCC Unit 1-4 Reserve	11	67,964	0
Aged Care Unit 5 Reserve	11	54,558	0
		<u>6,997,139</u>	<u>6,308,522</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 2017

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	487,406	374,377
Sundry debtors	48,351	998,442
GST receivable	36,534	25,501
Other Current Debtors - Diesel Rebate and Accrued Interest	114,161	9,819
Provision for Doubtful Debts	(723)	(15,595)
	<u>685,729</u>	<u>1,392,544</u>
Non-current		
Rates outstanding - pensioners	16,559	13,935
	<u>16,559</u>	<u>13,935</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>487,406</u>	<u>374,377</u>
Includes:		
Past due and not impaired	487,406	372,259
Impaired	<u>0</u>	<u>2,118</u>
Sundry debtors	<u>48,351</u>	<u>998,442</u>
Includes:		
Past due and not impaired	18,215	63,804
Impaired	<u>722</u>	<u>13,477</u>
5. INVENTORIES		
Current		
Fuels and Materials	1,118	1,335
	<u>1,118</u>	<u>1,335</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2014 - Level 2	0	1,765,500
- Independent valuation 2014 - Level 3	0	76,000
- Independent valuation 2017 - Level 2	1,133,660	0
- Independent valuation 2017 - Level 3	63,000	0
	1,196,660	1,841,500
Land - vested in and under the control of Council at:		
- Management Valuation 2014 - Level 3	0	505,885
- Independent valuation 2017 - level 3	7,400	0
	7,400	505,885
	1,204,060	2,347,385
Buildings - non-specialised at:		
- Independent valuation 2014 - Level 2	0	2,917,000
- Independent valuation 2017 - level 2	4,258,000	0
- Additions after valuation - cost	0	450,214
Less: accumulated depreciation	0	(243,143)
	4,258,000	3,124,071
Buildings - specialised at:		
- Independent valuation 2014 - Level 3	0	17,465,000
- Management valuation 2014 - Level 3	0	71,406
- Independent valuation 2017 - level 3	15,190,700	0
- Additions after valuation - cost	0	2,290,573
Less: accumulated depreciation	0	(1,106,005)
	15,190,700	18,720,974
	19,448,700	21,845,045
Total land and buildings	20,652,760	24,192,430
Furniture and equipment at:		
- Independent valuation 2016 - Level 2	49,300	49,300
- Management Valuation 2016 - Level 2	10,159	10,159
- Management Valuation 2016 - Level 3	35,091	35,091
- Additions after valuation - cost	11,702	0
Less: accumulated depreciation	(13,553)	0
	92,699	94,550

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)		
Plant and equipment at:		
- Independent valuation 2016 - Level 2	1,272,000	1,312,000
- Management Valuation 2016 - Level 2	436,282	591,373
- Management Valuation 2016 - Level 3	128,834	128,834
- Additions after valuation - cost	732,396	0
Less: accumulated depreciation	<u>(209,865)</u>	<u>0</u>
	<u>2,359,647</u>	<u>2,032,207</u>
 Works in Progress at:		
- Works in Progress	<u>0</u>	<u>199,697</u>
	0	199,697
	<u><u>23,105,106</u></u>	<u><u>26,518,884</u></u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Change of Input Levels \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	1,841,500	93,771	0	(738,611)	0	0	0	0	0	1,196,660
Land - vested in and under the control of Council	505,885	0	0	(498,485)	0	0	0	0	0	7,400
Total land	2,347,385	93,771	0	(1,237,096)	0	0	0	0	0	1,204,060
Buildings - non-specialised	3,124,071	0	0	(21,757)	0	0	(86,814)	1,242,500	0	4,258,000
Buildings - specialised	18,720,974	531,023	0	(2,700,368)	0	0	(376,227)	(1,242,500)	257,798	15,190,700
Total buildings	21,845,045	531,023	0	(2,722,125)	0	0	(463,041)	0	257,798	19,448,700
Total land and buildings	24,192,430	624,794	0	(3,959,221)	0	0	(463,041)	0	257,798	20,652,760
Furniture and equipment	94,550	0	0	0	0	0	(13,553)	0	11,702	92,699
Plant and equipment	2,032,207	790,497	(173,712)	0	0	0	(231,244)	0	(58,101)	2,359,647
Works in Progress	199,697	0	0	0	0	0	0	0	(199,697)	0
Total property, plant and equipment	26,518,884	1,415,291	(173,712)	(3,959,221)	0	0	(707,838)	0	11,702	23,105,106

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare
Land - freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Land - vested in and under the control of Council	3	Income approach	Independent registered valuers	June 2017	Comparative income and expense data
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment					
- Independent Valuation 2016	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Price per item
- Management Valuation 2016	2	Market approach using recent observable market data for similar items	Management valuation	June 2016	Price per item
- Management Valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements (Continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Plant and equipment					
- Independent Valuation 2016	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Price per item
- Management Valuation 2016	2	Market approach using recent observable market data for similar items	Management valuation	June 2016	Price per item
- Management Valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

During the period there was a change in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs as there was new market data available which is more representative of the fair value in those circumstances.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - Level 3	56,477,482	56,477,482
- Additions after valuation - cost	2,542,599	1,017,688
Less: accumulated depreciation	<u>(25,023,936)</u>	<u>(24,525,048)</u>
	33,996,145	32,970,122
Infrastructure - Footpaths		
- Management valuation 2015 - Level 3	1,049,165	1,049,165
- Additions after valuation - cost	2,075	2,075
Less: accumulated depreciation	<u>(669,181)</u>	<u>(648,156)</u>
	382,059	403,084
Infrastructure - Parks and Ovals		
- Independent valuation 2014 - Level 3	0	357,000
- Independent valuation 2017 - Level 3	1,520,150	0
- Additions after valuation - cost	0	308,430
Less: accumulated depreciation	<u>(699,400)</u>	<u>(23,309)</u>
	820,750	642,121
Infrastructure - Sewerage		
- Independent valuation 2015 - Level 3	0	2,942,000
- Independent valuation 2017 - Level 3	3,649,550	0
- Additions after valuation - cost	0	33,761
Less: accumulated depreciation	<u>(1,381,700)</u>	<u>(836,550)</u>
	2,267,850	2,139,211
Infrastructure - Airfields		
- Independent valuation 2015 - Level 3	0	625,000
- Independent valuation 2017 - Level 3	2,103,500	0
Less: accumulated depreciation	<u>(1,529,500)</u>	<u>(37,500)</u>
	574,000	587,500
Infrastructure - Dams		
- Independent valuation 2015 - Level 3	0	1,817,000
- Independent valuation 2017 - Level 3	2,192,150	0
Less: accumulated depreciation	<u>(1,508,670)</u>	<u>(1,185,040)</u>
	683,480	631,960
Infrastructure - Playground Equipment		
- Independent valuation 2014 - Level 3	0	53,000
- Independent valuation 2017 - Level 3	230,650	0
Less: accumulated depreciation	<u>(127,450)</u>	<u>(15,900)</u>
	103,200	37,100

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE (Continued)		
Infrastructure - Other		
- Independent valuation 2014 - Level 3	0	1,861,000
- Management valuation 2014 - Level 3	0	261,161
- Independent valuation 2017 - Level 3	9,411,750	0
- Management valuation 2017 - Level 3	133,323	0
- Additions after valuation - cost	0	2,461,242
Less: accumulated depreciation	<u>(4,300,847)</u>	<u>(225,436)</u>
	5,244,226	4,357,967
Infrastructure - Works in Progress	<u>0</u>	<u>714,288</u>
	0	714,288
	<u>44,071,710</u>	<u>42,483,353</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	32,970,122	1,524,911	0	0	0	0	(498,888)	0	33,996,145
Infrastructure - Footpaths	403,084	0	0	0	0	0	(21,025)	0	382,059
Infrastructure - Parks and Ovals	642,121	0	0	167,732	18,667	0	(7,770)	0	820,750
Infrastructure - Sewerage	2,139,211	0	0	203,033	0	0	(74,394)	0	2,267,850
Infrastructure - Airfields	587,500	0	0	(1,000)	0	0	(12,500)	0	574,000
Infrastructure - Dams	631,960	0	0	87,859	0	0	(36,339)	0	683,480
Infrastructure - Playground Equipment	37,100	0	0	71,400	0	0	(5,300)	0	103,200
Infrastructure - Other	4,357,967	1,176,054	0	(886,381)	0	0	(106,000)	702,586	5,244,226
Infrastructure - Works in Progress	714,288	0	0	0	0	0	0	(714,288)	0
Total infrastructure	42,483,353	2,700,965	0	(357,357)	18,667	0	(762,216)	(11,702)	44,071,710

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airfields	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Dams	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements (Continued)

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Playground Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	92,665	250,490
Accrued interest on debentures	3,510	4,870
Accrued salaries and wages	8,965	38,370
Accrued expenditure	7,588	6,025
FBT Liability	9,060	9,446
PAYG Liability	43,671	48,960
	<u>165,459</u>	<u>358,161</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	70,815	66,743
	<u>70,815</u>	<u>66,743</u>
Non-current		
Secured by floating charge		
Debentures	381,781	452,596
	<u>381,781</u>	<u>452,596</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	140,768	204,633	345,401
Non-current provisions	0	37,661	37,661
	<u>140,768</u>	<u>242,294</u>	<u>383,062</u>
Additional provision	4,027	23,959	27,986
Balance at 30 June 2017	<u>144,795</u>	<u>266,253</u>	<u>411,048</u>
Comprises			
Current	144,795	239,867	384,662
Non-current	0	26,386	26,386
	<u>144,795</u>	<u>266,253</u>	<u>411,048</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Leave Reserve	286,652	8,377	(13,892)	281,137	286,652	14,088	(39,000)	261,740	276,716	9,936	0	286,652
Plant Reserve	941,344	166,184	(202,010)	905,518	941,344	198,998	(201,500)	938,842	840,201	184,740	(83,597)	941,344
Building Reserve	79,045	20,931	0	99,976	79,045	22,506	0	101,551	5,153	73,892	0	79,045
Economic Development Reserve	108,035	1,273	0	109,308	108,035	3,425	0	111,460	106,142	1,893	0	108,035
Community Development Reserve	1,376,593	10,966	(200,000)	1,187,559	1,376,593	43,642	(400,000)	1,020,235	1,372,142	24,451	(20,000)	1,376,593
Sewerage Reserve	144,602	71,704	0	216,306	144,602	74,584	0	219,186	121,894	22,708	0	144,602
Unspent Grants and Contributions Reserve	92,743	852,969	(68,322)	877,390	92,743	2,940	(55,505)	40,178	982,918	15,206	(905,381)	92,743
Morawa Future Funds Interest Reserve	54,705	33,331	0	88,036	54,705	31,701	0	86,406	10,944	53,861	(10,100)	54,705
Morawa Community Future Funds Reserve	2,140,600	13,214	(32,687)	2,121,127	2,140,600	67,861	(57,682)	2,150,779	2,155,811	38,455	(53,666)	2,140,600
Refuse Transfer Station Reserve	134,515	788	(135,276)	27	134,515	4,265	0	138,780	196,097	3,418	(65,000)	134,515
Aged Care Units 6-9 Reserve	9,025	106	0	9,131	9,025	286	0	9,311	8,867	158	0	9,025
ST-N/Midlands Solar Thermal Power Reserve	550,687	8,279	0	558,966	550,687	17,459	(540,000)	28,146	540,136	10,551	0	550,687
ST-Morawa Revitalisation Reserve	173,736	2,612	0	176,348	173,736	5,508	(179,244)	0	170,408	3,328	0	173,736
Business Units Reserve	61,240	20,722	0	81,962	61,240	21,942	0	83,182	40,517	20,723	0	61,240
Legal Fees Reserve	15,000	5,177	0	20,177	15,000	5,478	0	20,478	0	15,000	0	15,000
Road Reserve	140,000	1,649	0	141,649	140,000	4,438	0	144,438	0	140,000	0	140,000
Aged Care ex MCC Unit 1-4 Reserve	0	67,964	0	67,964	0	0	0	0	0	0	0	0
Aged Care Unit 5 Reserve	0	54,558	0	54,558	0	0	0	0	0	0	0	0
	<u>6,308,522</u>	<u>1,340,804</u>	<u>(652,187)</u>	<u>6,997,139</u>	<u>6,308,522</u>	<u>519,121</u>	<u>(1,472,931)</u>	<u>5,354,712</u>	<u>6,827,946</u>	<u>618,320</u>	<u>(1,137,744)</u>	<u>6,308,522</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11. RESERVES - CASH BACKED (continued)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	- to be used to fund leave requirements.
Plant Reserve	Ongoing	- to be used to upgrade, replace or purchase new plant and equipment.
Building Reserve	Ongoing	- to be used to refurbish, replace, extend or establish Council owned buildings.
Economic Development Reserve	Ongoing	- to be used to create economic development initiatives in the local community.
Community Development Reserve	Ongoing	- to be used for Community Projects within the Shire of Morawa
Sewerage Reserve	Ongoing	- to be used to repair, replace or extend the sewerage facility.
Unspent Grants and Contributions Reserve	Ongoing	- to be used as a quarantine for unspent committed funds.
Morawa Future Funds Interest Reserve	Ongoing	- to be used for Morawa Community Projects
Morawa Community Future Funds Reserve	Ongoing	- to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum.
Refuse Transfer Station Reserve	17/18	- to be used for Morawa Landfill closure and Refuse Transfer Station implementation project R4R funds 2011/12
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 Reserve	Ongoing	- to be utilised for the refurbishment/repairs of the current Units or to establish new Business Units
Legal Fees Reserve	Ongoing	- to be utilised for unforeseen Legal Fees.
Road Reserve	Ongoing	- to be utilised for future Road Construction and Maintenance.
Aged Care ex MCC Unit 1-4 Reserve	Ongoing	- to be used for the maintenance/ upgrade of Aged Care Units 1-4 at the Morawa Perenjori Health Centre
Aged Care Unit 5 Reserve	Ongoing	- to be used for the maintenance/ upgrade of Aged Care Unit Unit 5 at the Morawa Perenjori Health Centre

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. REVALUATION SURPLUS

	2017 Opening Balance \$	2017 Revaluation Increment \$	2017 Revaluation (Decrement) \$	2017 Total Movement on Revaluation \$	2017 Closing Balance \$	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation (Decrement) \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$
Revaluation surplus - Land and buildings	13,983,031	0	(3,959,221)	(3,959,221)	10,023,810	14,238,714	0	(255,683)	(255,683)	13,983,031
Revaluation surplus - Furniture and equipment	31,674	0	0	0	31,674	54,933	0	(23,259)	(23,259)	31,674
Revaluation surplus - Plant and equipment	571,549	0	0	0	571,549	294,261	277,288	0	277,288	571,549
Revaluation surplus - Infrastructure - Roads	18,550,097	0	0	0	18,550,097	18,550,097	0	0	0	18,550,097
Revaluation surplus - Infrastructure - Footpaths	28,074	0	0	0	28,074	28,074	0	0	0	28,074
Revaluation surplus - Infrastructure - Sewerage	1,204,296	203,033	0	203,033	1,407,329	1,204,296	0	0	0	1,204,296
Revaluation surplus - Infrastructure - Airfields	312,142	0	(1,000)	(1,000)	311,142	312,142	0	0	0	312,142
Revaluation surplus - Infrastructure - Dams	577,011	87,859	0	87,859	664,870	577,011	0	0	0	577,011
Revaluation surplus - Infrastructure - Playground Equipment	15,470	71,400	0	71,400	86,870	15,470	0	0	0	15,470
Revaluation surplus - Infrastructure - Parks & Ovals	0	167,732	0	167,732	167,732	0	0	0	0	0
Revaluation surplus - Infrastructure - Other	1,698,219	0	(886,381)	(886,381)	811,838	1,698,219	0	0	0	1,698,219
	<u>36,971,563</u>	<u>530,024</u>	<u>(4,846,602)</u>	<u>(4,316,578)</u>	<u>32,654,985</u>	<u>36,973,217</u>	<u>277,288</u>	<u>(278,942)</u>	<u>(1,654)</u>	<u>36,971,563</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>7,138,224</u>	<u>5,372,693</u>	<u>6,412,609</u>

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

Net result	2,743,823	2,891,570	(418,472)
Non-cash flows in Net result:			
Depreciation	1,470,054	1,683,278	1,501,236
(Profit)/Loss on sale of asset	41,439	18,259	74,790
Reversal of loss on revaluation of fixed assets	(18,667)	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	704,191	872,055	(744,183)
(Increase)/Decrease in inventories	217	0	8,789
Increase/(Decrease) in payables	(192,702)	209,257	135,098
Increase/(Decrease) in provisions	27,986	34,912	53,167
Grants contributions for the development of assets	<u>(2,265,831)</u>	<u>(3,738,832)</u>	<u>(1,291,028)</u>
Net cash from operating activities	<u>2,510,510</u>	<u>1,970,499</u>	<u>(680,603)</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	800,000	800,000
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	<u>3,350</u>	<u>(1,086)</u>
Total amount of credit unused	<u>818,350</u>	<u>813,914</u>
Loan facilities		
Loan facilities - current	70,815	66,743
Loan facilities - non-current	<u>381,781</u>	<u>452,596</u>
Total facilities in use at balance date	<u>452,596</u>	<u>519,339</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. CONTINGENT LIABILITIES

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

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

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

Old Morawa Hospital

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

The recent inclusion of the facility onto the asset register and the likelihood that it contains ACM requires it to be identified and included on the Shire's Asbestos Register, in which any ACM present in a Shire built asset is identified and recorded. To this end, an inspection of the facility will be conducted by a suitably accredited inspector to ascertain the location of any ACM within the facility and to describe the current condition of that material and any required control measures.

Until the Shire conducts an inspection to determine the scope of any ACM's, assess the risk and the need for any remediation, the Shire is unable to accurately quantify its clean-up liabilities for the Old Hospital Site.

This will be conducted as part of the Shire's scheduled annual review of the Shire of Morawa Asbestos Register (in 2018).

15. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

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

(b) Capital Expenditure Commitments

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

16. JOINT VENTURE ARRANGEMENTS

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

	2017	2016
	\$	\$
Non-current assets		
Land and buildings	3,260	5,500
Less: accumulated depreciation	0	(282)
	<u>3,260</u>	<u>5,218</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	551,238	679,525
General purpose funding	503,965	388,312
Law, order, public safety	643,256	336,364
Health	743,891	729,836
Education and welfare	559,500	460,811
Housing	3,946,813	3,330,239
Community amenities	3,178,802	3,084,113
Recreation and culture	14,114,304	13,849,630
Transport	36,615,357	35,396,100
Economic services	10,628,568	11,165,737
Other property and services	2,175,901	3,341,616
Unallocated	1,356,851	4,060,377
	<u>75,018,446</u>	<u>76,822,660</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016	2015
18. FINANCIAL RATIOS			
Current ratio	1.75	2.21	3.55
Asset sustainability ratio	1.89	0.99	0.89
Debt service cover ratio	22.76	(1.92)	(11.32)
Operating surplus ratio	0.19	0.67	(0.81)
Own source revenue coverage ratio	0.34	0.39	0.37

The above ratios are calculated as follows:

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 68 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$820,472.

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$787,492.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Debt service cover ratio	13.59	6.15	(20.61)
Operating surplus ratio	(0.10)	(0.36)	(1.08)

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

19. TRUST FUNDS

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

	1 July	Amounts	Amounts	30 June
	\$	\$	(\$)	\$
Housing Bonds	2,498	0	(498)	2,000
Bonds Hall/Rec Centre Hire	0	100	0	100
Youth Centre	865	0	0	865
Daphne Little - Excess rent	0	1,704	0	1,704
Haulmore Trailers Land Dep	4,641	0	0	4,641
Local Drug Action Group	661	0	0	661
Bonds Dreghorn Units	0	1,164	0	1,164
Bonds Aged Care Units	0	1,266	0	1,266
BCITF/BRB Training Levy	427	1,391	0	1,818
Morawa Oval Function Centre	1,762	0	0	1,762
	<u>10,854</u>		<u>0</u>	<u>15,981</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
Law, order, public safety								
(Asset 292) Isuzu Canna Fire Truck	32,192	15,000	0	(17,192)	0	0	0	0
Transport								
(Asset 45) 1999 Ford Courier Tray Top					0	1,500	1,500	0
(Asset 272) - Backhoe Case P192	33,888	35,000	1,112	0	46,300	35,000	0	(11,300)
(Asset 476) - Ford Ranger -PWS	28,755	21,818	0	(6,937)	28,838	22,000	0	(6,838)
Other property and services								
(Asset 600) Kluger AWD V6 Wagon - CEO	45,762	31,818	0	(13,944)	44,111	42,000	0	(2,111)
(Asset 580) 2013 - Nissan Patrol Wagon - EM	33,115	28,637	0	(4,478)	34,510	35,000	490	0
	<u>173,712</u>	<u>132,273</u>	<u>1,112</u>	<u>(42,551)</u>	<u>153,759</u>	<u>135,500</u>	<u>1,990</u>	<u>(20,249)</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Housing								
Loan 133 - GEHA House	102,614	0	31,993	31,993	70,621	70,621	5,988	6,206
Loan 134 - 2 Broad Street	72,564	0	22,726	24,158	49,838	48,406	3,338	3,090
Loan 136 - 24 Harley Street	344,161	0	12,024	12,024	332,137	332,137	13,426	13,408
	<u>519,339</u>	<u>0</u>	<u>66,743</u>	<u>68,175</u>	<u>452,596</u>	<u>451,164</u>	<u>22,752</u>	<u>22,704</u>

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

Council established a temporary overdraft facility in June 2016 of \$800,000 with Bankwest bank to assist with short term liquidity requirements. The physical balance of the bank overdraft at the bank as at 30 June 2017 was \$Nil.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV Residential/Commercial	0.07415	268	2,912,592	215,960	731	0	216,691	215,960	0	0	215,960
Unimproved value valuations											
UV Rural	0.02257	204	57,874,600	1,306,461	381	0	1,306,842	1,306,461	0	0	1,306,461
UV Mining	0.28968	16	469,309	135,950	64	0	136,014	135,950	0	0	135,950
Sub-Total		488	61,256,501	1,658,371	1,176	0	1,659,547	1,658,371	0	0	1,658,371
Minimum payment											
Minimum \$											
Gross rental value valuations											
GRV Residential/Commercial	279	48	39,055	13,392	0	0	13,392	13,392	0	0	13,392
Unimproved value valuations											
UV Rural	279	7	55,400	1,953	0	0	1,953	1,953	0	0	1,953
UV Mining	656	11	10,939	7,216	0	0	7,216	7,216	0	0	7,216
Sub-Total		66	105,394	22,561	0	0	22,561	22,561	0	0	22,561
		554	61,361,895	1,680,932	1,176	0	1,682,108	1,680,932	0	0	1,680,932
Discounts/concessions (refer note 26)							(27,879)				(30,000)
Total amount raised from general rate							1,654,229				1,650,932
Ex-gratia rates							5,792				5,792
Rates Written Off							(1,625)				(2,500)
Movement in Excess Rates							5,741				0
Totals							1,664,137				1,654,224

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	558,948	1,081,056	1,081,056
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	20,190	(325,472)	(325,472)
Restricted	7,118,034	6,738,081	6,738,081
Receivables			
Rates outstanding	487,406	374,377	374,377
Sundry debtors	48,351	998,442	998,442
GST receivable	36,534	25,501	25,501
Other Current Debtors - Diesel Rebate and Accrued	114,161	9,819	9,819
Provision for Doubtful Debts	(723)	(15,595)	(15,595)
Inventories			
Fuels and Materials	1,118	1,335	1,335
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(92,665)	(250,490)	(250,490)
Accrued interest on debentures	(3,510)	(4,870)	(4,870)
Accrued salaries and wages	(8,965)	(38,370)	(38,370)
Accrued expenditure	(7,588)	(6,025)	(6,025)
FBT Liability	(9,060)	(9,446)	(9,446)
PAYG Liability	(43,671)	(48,960)	(48,960)
Current portion of long term borrowings			
Secured by floating charge	(70,815)	(66,743)	(66,743)
Provisions			
Provision for annual leave	(144,795)	(140,768)	(140,768)
Provision for long service leave	(239,867)	(204,633)	(204,633)
Unadjusted net current assets	7,204,135	7,036,183	7,036,183
Adjustments			
Less: Reserves - restricted cash	(6,997,139)	(6,308,522)	(6,308,522)
Add: Secured by floating charge	70,815	66,743	66,743
Add Back : Component of Leave Liability not Required to be Funded	281,137	286,652	286,652
Adjusted net current assets - surplus/(deficit)	558,948	1,081,056	1,081,056

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2017.

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR**

Rates Discounts

Rate or Fee Discount Granted	Discount %	Actual \$	Budget \$	Circumstances in which Discount is Granted
Early Payment Discount	2.50%	27,879	30,000	A discount of 2.5% 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 4 October 2016 or 35 days after the date of service appearing on the rate notice, whichever is the later.
		27,879	30,000	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Actual \$	Budget \$
Rates Assessment	Write-off	1,625	2,500
		1,625	2,500

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	04 October 16			11.00%
Option Two				
First Instalment	04 October 16			11.00%
Second Instalment	24 January 17	5	5.50%	11.00%
Option Three				
First Instalment	04 October 16			11.00%
Second Instalment	29 November 16	5	5.50%	11.00%
Third Instalment	24 January 17	5	5.50%	11.00%
Fourth Instalment	21 March 17	5	5.50%	11.00%
			Revenue	Budgeted Revenue
			\$	\$
Interest on unpaid rates			60,156	24,000
Interest on instalment plan			3,423	3,500
Charges on instalment plan			970	1,500
			64,549	29,000
			64,549	29,000

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
28. FEES & CHARGES		
Governance	40	143
General purpose funding	6,049	2,673
Law, order, public safety	2,129	3,694
Health	471	3,359
Education and welfare	2,744	0
Housing	66,070	45,056
Community amenities	434,155	450,343
Recreation and culture	40,269	37,267
Transport	882	427
Economic services	178,994	180,928
Other property and services	30,215	11,433
	<u>762,018</u>	<u>735,323</u>

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

29. GRANT REVENUE

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

	2017	2016
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
General purpose funding	2,359,438	749,603
Law, order, public safety	18,968	36,233
Education and welfare	18,993	17,724
Housing	4,545	0
Community amenities	0	88,059
Recreation and culture	5,000	9,418
Transport	3,647,212	1,312,003
Economic services	(30,000)	30,000
Other property and services	2,500	0
	<u>6,026,656</u>	<u>2,243,040</u>
Non-operating grants, subsidies and contributions		
Governance	0	84,974
Law, order, public safety	370,940	0
Education and welfare	11,000	0
Housing	578,060	0
Community amenities	3,829	0
Recreation and culture	282,000	205,105
Transport	926,232	1,000,949
Other property and services	93,770	0
	<u>2,265,831</u>	<u>1,291,028</u>
	<u>8,292,487</u>	<u>3,534,068</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

24	26
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SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

31. ELECTED MEMBERS REMUNERATION	2017	2017	2016
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	64,000	64,000	64,125
President's allowance	17,000	17,000	16,875
Deputy President's allowance	4,250	4,250	4,250
Travelling expenses	0	200	0
Telecommunications allowance	522	1,500	0
	<u>85,772</u>	<u>86,950</u>	<u>85,250</u>

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017
\$

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

Short-term employee benefits	491,085
Post-employment benefits	63,711
Other long-term benefits	103,936
Termination benefits	0
	<u>658,732</u>

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 31.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

32. RELATED PARTY TRANSACTIONS (Continued)

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

The Shire has a 2% interest in 2 - 1 bedroom and 1 - 2 bedroom units in Dreghorn Street, Morawa. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 16.

Transactions with related parties

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

The following transactions occurred with related parties:

**2017
\$**

Associated companies/individuals:

Sale of goods and services	316,500
Purchase of goods and services	0

Joint venture entities:

Distributions received from joint venture entities	0
--	---

Amounts outstanding from related parties:

Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0

Amounts payable to related parties:

Trade and other payables	0
Loans from associated entities	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	7,138,224	6,412,609	7,138,224	6,412,609
Receivables	702,288	1,406,479	702,288	1,406,479
	<u>7,840,512</u>	<u>7,819,088</u>	<u>7,840,512</u>	<u>7,819,088</u>
Financial liabilities				
Payables	165,459	358,161	165,459	358,161
Borrowings	452,596	519,339	325,501	384,974
	<u>618,055</u>	<u>877,500</u>	<u>490,960</u>	<u>743,135</u>

Fair value is determined as follows:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	68,104	75,154
- Statement of Comprehensive Income	68,104	75,154

Notes:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	70%	93%
- Overdue	30%	7%

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	165,459	0	0	165,459	165,459
Borrowings	91,024	167,320	343,335	601,679	452,596
	<u>256,483</u>	<u>167,320</u>	<u>343,335</u>	<u>767,138</u>	<u>618,055</u>
<u>2016</u>					
Payables	358,161	0	0	358,161	358,161
Borrowings	91,024	232,911	368,767	692,702	519,339
	<u>449,185</u>	<u>232,911</u>	<u>368,767</u>	<u>1,050,863</u>	<u>877,500</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	120,458	0	0	0	332,138	452,596	4.62%
Weighted average Effective interest rate		6.51%				3.93%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	175,178	0	0	344,161	519,339	4.80%
Weighted average Effective interest rate			6.51%			3.93%		

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. PRIOR PERIOD CORRECTIONS

The following adjustments have been made to comparative amounts in the 30 June 2017 Financial Report to bring to account financial activities that were incorrectly stated in 2015/16. Details of these activities are listed below:-

- 1) Operating expenditure relating to the Wildflower Country Project for the 2010/11 and 2011/12 financial years was capitalised when it should have been expensed. This expenditure was incurred on assets not belonging to or under the control of the Shire but forming part of the Wildflower Country Project.

As a result, Infrastructure Other of \$646,671 and depreciation of \$21,928 was written back prior to 30 June 2015. Further to this depreciation of \$10,762 was written back in the 2016 financial year. Details are as follows:

i) Infrastructure Other of \$641,952 and depreciation of \$40,914 was written back prior to 2015/16 against the opening balance of retained surplus as at 1 July 2015.

ii) Infrastructure Other of \$4,719 and depreciation of \$18,986 was written back prior to 2015/16 against the opening balance of revaluation surplus as at 1 July 2015.

iii) Depreciation of \$10,762 was written back in 2015/16. This was adjusted against depreciation for that year and Infrastructure Other accordingly.

	Refer Notes Above	Financial Report 2016 \$	Corrected Comparative 2016 \$	Adjustment \$
STATEMENT OF COMPREHENSIVE INCOME				
<i>BY NATURE OR TYPE:-</i>				
Expenses - Depreciation	1	(1,511,998)	(1,501,236)	10,762
Total Expenses	1	(6,428,063)	(6,417,301)	10,762
Net Result	1	(429,234)	(418,472)	10,762
Total Comprehensive Income	1	(430,888)	(420,126)	10,762
<i>BY PROGRAM:-</i>				
Expenses - Transport	1	(2,818,922)	(2,808,160)	10,762
Total Expenses	1	(6,428,063)	(6,417,301)	10,762
Net Result	1	(429,234)	(418,472)	10,762
Total Comprehensive Income	1	(430,888)	(420,126)	10,762
STATEMENT OF FINANCIAL POSITION				
Infrastructure	1	43,097,334	42,483,353	(613,981)
Total Non-Current Assets	1	69,630,153	69,016,172	(613,981)
Total Assets	1	77,436,641	76,822,660	(613,981)
Net Assets	1	76,176,079	75,562,098	(613,981)
Retained Surplus	1	32,872,289	32,282,013	(590,276)
Revaluation Surplus	1	36,995,268	36,971,563	(23,705)
Total Equity	1	76,176,079	75,562,098	(613,981)
STATEMENT OF CHANGES IN EQUITY				
<i>Retained Surplus:-</i>				
Balance at 1 July 2015	1	32,782,099	32,181,061	(601,038)
Balance at 30 June 2016	1	32,872,289	32,282,013	(590,276)
<i>Revaluation Surplus:-</i>				
Balance at 1 July 2015	1	36,996,922	36,973,217	(23,705)
Balance at 30 June 2016	1	36,995,268	36,971,563	(23,705)
<i>Total Equity:-</i>				
Balance at 1 July 2015	1	76,606,967	75,982,224	(624,743)
Net Result 2016	1	(429,234)	(418,472)	10,762
Balance at 30 June 2016	1	76,176,079	75,562,098	(613,981)

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. PRIOR PERIOD CORRECTIONS (Continued)

	Refer Notes Above	Financial Report 2016 \$	Corrected Comparative 2016 \$	Adjustment \$
RATE SETTING STATEMENT				
Expenditure from operating activities:-				
Transport	1	(2,818,922)	(2,808,160)	10,762
Operating activities excluded from budget:-				
Depreciation and amortisation on assets	1	1,511,998	1,501,236	(10,762)
Total expenditure from operating activities	1	(6,523,798)	(6,513,036)	10,762
NOTE 2 - REVENUES AND EXPENSES				
Depreciation				
Infrastructure - Other	1	112,937	102,175	(10,762)
Total depreciation	1	1,511,998	1,501,236	(10,762)
NOTE 7 - INFRASTRUCTURE				
Infrastructure - Other:-				
Management valuation 2014 - Level 3	1	907,832	261,161	(646,671)
Accumulated Depreciation	1	(258,126)	(225,436)	32,690
<i>Movements in Carrying Amounts:-</i>				
Total - Other Infrastructure	1	4,971,948	4,357,967	(613,981)
NOTE 12 - REVALUATION SURPLUS				
Infrastructure - Other:-				
2016 Opening Balance	1	1,721,924	1,698,219	(23,705)
2016 Closing Balance	1	1,721,924	1,698,219	(23,705)
Total Revaluation Surplus:-				
2016 Opening Balance	1	36,996,922	36,973,217	(23,705)
2016 Closing Balance	1	36,995,268	36,971,563	(23,705)
NOTE 13 - NOTES TO THE STATEMENT OF CASH FLOWS				
(b) - Reconciliation of Net Cash Provided By				
Operating Activities to Net Result				
- Net Result	1	(429,234)	(418,472)	10,762
- Depreciation	1	1,511,998	1,501,236	(10,762)
NOTE 17 - TOTAL ASSETS				
Transport	1	36,010,081	35,396,100	(613,981)

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

Opinion

We have audited the financial report of Shire of Morawa, which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Chief Executive Officer's statement.

In our opinion:

- a) The accompanying financial report:
 - (i) Presents fairly, in all material respects, the financial position of Shire of Morawa as at 30 June 2017, and its financial performance and cash flows for the year then ended;
 - (ii) Complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (iii) Is prepared in accordance with the requirements of the *Local Government Act 1995* Part 6 and the Regulations under that Act.
- b) The Supplementary Ratio Information included in the financial report is supported by verifiable information and reasonable assumptions.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Shire of Morawa in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Chief Executive Officer for the financial report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the Shire of Morawa's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The Chief Executive Officer is responsible for overseeing the Shire of Morawa's financial reporting process.

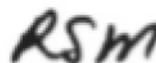
Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Report on statutory compliance

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



RSM AUSTRALIA PTY LTD



Perth, WA
Dated: 20 December 2017

D J WALL
Director

**SHIRE OF MORAWA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.54	0.51	0.52
Asset renewal funding ratio	0.90	0.67	0.60

The above ratios are calculated as follows:

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