



Shire of Morawa

2017/18 Annual Report and Financial Statements



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

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



This page left blank intentionally



Contents

President’s Report 2017-2018	4
Chief Executive Officer’s Report 2017-2018.....	6
Disability Access and Inclusion Plan (DAIP)	8
Record Keeping Plan	10
Public Interest Disclosure	10
Freedom of Information Act 1992.....	11
Structure and Functions of Council	11
National Competition Policy	12
Register of Minor Complaints	12
Payment to Employees	13
Information	13
Personal Involvement	13
Standing Committees	14
Occasional Committees	14
Agendas	14
Complaints	14
Delegated Authority	14
Services to the Community	14
Access to Council Documents	15
Report on Corporate Plan	16
2017-2018 Financial Statements	21

President's Report 2017-2018



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

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

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

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

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

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

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

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

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

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

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

Cr Karen Chappel JP
Shire President



Chief Executive Officer's Report 2017-2018



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

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

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

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

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

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

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

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

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

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

Major Road Works Completed in 2017/2018

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

Rural:

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

Townsite:

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

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

Acknowledgements

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

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

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

Chris Linnell
Chief Executive Officer



Disability Access and Inclusion Plan (DAIP)

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

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

DAIP Strategies

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

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

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

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

Outcome 1

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

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

Outcome 2

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

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

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

Outcome 3

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

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

Outcome 4

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

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

Outcome 5

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

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

Outcome 6

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

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

satisfactory outcomes.

Outcome 7

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

Strategies

Use inclusive recruitment practices.

Improve methods of attracting, recruiting and retaining people with disability

Work with key disability employment support provider(s) to employ a person with a disability

Record Keeping Plan

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

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

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

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

Public Interest Disclosure

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

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

Matters that fall under the category of public interest include:

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

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



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

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

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

Freedom of Information Act 1992

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

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

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

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

Structure and Functions of Council

Establishment

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

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

Council

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



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

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

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

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

National Competition Policy

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

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

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

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

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

Register of Minor Complaints

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



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

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

be disclosed in the Annual Report.

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

Payment to Employees

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

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

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

Information

Personal Involvement

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

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



Standing Committees

At present there is one standing Committees of Council:

- Audit Committee

Occasional Committees

Council utilises occasional Committees as and when required.

Agendas

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

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

Complaints

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

Delegated Authority

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

Services to the Community

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

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



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

Access to Council Documents

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

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

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



Bike Week Activities March 2018

Report on Corporate Plan

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



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

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

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

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

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

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

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



Australia Day Citizenship Award winner Mrs Shirley Katona



2017-2018 Financial Statements



Morawa Swimming Pool set up for school swimming carnival March 2018



New bush trail under construction



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



This page left blank intentionally



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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	57

COMMUNITY VISION

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

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

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

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

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

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

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

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

Principal place of business:

26 Winfield Street
Morawa WA 6623


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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 03 day of December 2018



Chief Executive Officer

Chris Linnell

Name of Chief Executive Officer



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

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

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



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

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

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

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



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

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

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



SHIRE OF MORAWA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
Land under roads

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

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

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

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

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

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

2. REVENUE AND EXPENSES

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

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

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

2. REVENUE AND EXPENSES (Continued)

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk.

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

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

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

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

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

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

5. TRADE AND OTHER RECEIVABLES

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

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

Rates outstanding

Includes:

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

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

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

Sundry debtors

Includes:

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

The table illustrates the sundry debtors aging analysis

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

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel and materials

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

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

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

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

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

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements (Continued)

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

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

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

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

8 (a). INFRASTRUCTURE

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

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airfields	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Dams	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Playground Equipment	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Independent and management valuations	June 2017	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

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

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

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

(b) Depreciation

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

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

Depreciation rates

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

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

Depreciation (Continued)

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

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

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

Capitalisation threshold

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

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

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

10. REVALUATION SURPLUS

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

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

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

11. TRADE AND OTHER PAYABLES

Current

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

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

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

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

All loan repayments were financed by general purpose revenue.

Borrowings

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

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

12. INFORMATION ON BORROWINGS (Continued)

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

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

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

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

Unused loan facilities at balance date

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

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

13. PROVISIONS

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)
 rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

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

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

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

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

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

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

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

16. CONTINGENT LIABILITIES

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

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

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

Old Morawa Hospital

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

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

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

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

17. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

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

(b) Operating Lease Commitments

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

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

18. JOINT ARRANGEMENTS

The Shire of Morawa has entered into a joint arrangement, based on a Deed of Trust, with Homeswest for the construction of 2 - 1 bedroom and 1 - 2 bedroom units in Dreghorn Street, Morawa. The provision of this housing aims to provide accommodation for single persons. The Shire of Morawa has a 2% interest in the assets of this joint arrangement. All revenue and expenditure, as well as liabilities, of the joint arrangement are recognised in the relevant financial statements of Council.

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

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

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

Interests in joint arrangements (Continued)

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

Key Management Personnel (KMP) Compensation Disclosure

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Joint arrangements accounted for under the proportionate consolidation method

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

20. MAJOR LAND TRANSACTIONS

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

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

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

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

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended, or returned to the contributor, in the current reporting period in the manner specified by the contributor.
- (*) - All or part of these unspent contributions were held in reserve funds as at 30 June 2017 and 30 June 2018.
- (@) - At 30 June 2017 and 30 June 2018 the Shire had committed this funding for use in accordance with the funding agreement.

Disclosed as follows:

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

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

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

23. RATING INFORMATION

(a) Rates

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

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

23. RATING INFORMATION (Continued)

(b) Sewerage Rate (Section 41 Health Act)

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

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

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

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

23. RATING INFORMATION (Continued)

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

Rates Discounts

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

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

23. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

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

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

24. NET CURRENT ASSETS

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

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

Difference

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

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

25. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

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

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

Notes:

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

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

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

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

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

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

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

26. TRUST FUNDS

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

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

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

29. ACTIVITIES/PROGRAMS

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

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

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

30. FINANCIAL RATIOS

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

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

31. ECONOMIC DEPENDENCY

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Morawa

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Other Matter

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

Matters Relating to the Electronic Publication of the Audited Financial Report

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

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