



Financial Report 2015 / 2016



Shire of
Serpentine
Jarrahdale

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Statement by Acting Chief Executive Officer

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the *28TH* day of *OCTOBER* 2016



Gary Clark
Acting Chief Executive Officer

Statement of Comprehensive Income By Nature Or Type

For The Year Ended 30th June 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	18,407,251	17,982,029	16,389,803
Operating grants, subsidies and contributions	30	2,422,830	3,956,880	4,366,900
Fees and charges	29	5,755,055	5,605,756	5,603,577
Interest earnings	2(a)	798,910	650,000	884,078
Other revenue	2(a)	837,007	456,367	1,137,016
		<u>28,221,053</u>	<u>28,651,032</u>	<u>28,381,374</u>
Expenses				
Employee costs		(11,522,258)	(12,582,994)	(10,226,347)
Materials and contracts		(10,730,814)	(12,019,216)	(11,082,585)
Utility charges		(1,165,473)	(930,100)	(1,020,442)
Depreciation on non-current assets	2(a)	(5,540,027)	(3,397,710)	(2,942,932)
Interest expenses	2(a)	(106,277)	(131,165)	(151,690)
Insurance expenses		(434,288)	(513,232)	(429,241)
Other expenditure		(119,127)	(247,145)	(219,737)
		<u>(29,618,264)</u>	<u>(29,821,562)</u>	<u>(26,072,974)</u>
		(1,397,211)	(1,170,530)	2,308,400
Non-operating grants, subsidies and contributions	30	6,854,731	6,145,878	9,355,608
Profit on asset disposals	21	11,253	46,492	20,927
(Loss) on asset disposals	21	(57,603)	(25,792)	(131,826)
Net result		<u>5,411,170</u>	<u>4,996,048</u>	<u>11,553,109</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13(a)	(96,856)	0	149,950,591
Total other comprehensive income		<u>(96,856)</u>	<u>0</u>	<u>149,950,591</u>
Total comprehensive income		<u>5,314,314</u>	<u>4,996,048</u>	<u>161,503,700</u>

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

Statement of Comprehensive Income By Program

For The Year Ended 30th June 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
	2(a)			
Governance		0	156,867	333,138
General purpose funding		21,007,700	21,453,117	21,512,215
Law, order, public safety		650,156	503,880	583,037
Health		81,408	162,750	76,419
Education and welfare		146,785	78,200	83,928
Community amenities		4,042,909	3,836,206	3,668,802
Recreation and culture		525,924	108,612	111,496
Transport		476,555	1,064,800	672,205
Economic services		885,139	955,500	957,511
Other property and services		404,477	331,100	382,623
		<u>28,221,053</u>	<u>28,651,032</u>	<u>28,381,374</u>
Expenses				
	2(a)			
Governance		(3,991,534)	(4,750,451)	(4,290,199)
General purpose funding		(592,298)	(637,071)	(608,919)
Law, order, public safety		(1,981,545)	(2,007,619)	(1,838,371)
Health		(621,841)	(820,906)	(576,418)
Education and welfare		(967,505)	(1,199,414)	(908,910)
Community amenities		(6,256,222)	(6,467,630)	(5,775,754)
Recreation and culture		(4,642,528)	(4,599,261)	(3,853,273)
Transport		(9,008,256)	(7,730,406)	(6,779,272)
Economic services		(1,086,292)	(315,010)	(896,147)
Other property and services		(363,966)	(1,162,629)	(394,021)
		<u>(29,511,987)</u>	<u>(29,690,397)</u>	<u>(25,921,284)</u>
Finance costs				
	2(a)			
Community amenities		0	0	(3,568)
Recreation and culture		(106,277)	(108,815)	(148,122)
Transport		0	(22,350)	0
		<u>(106,277)</u>	<u>(131,165)</u>	<u>(151,690)</u>
		<u>(1,397,211)</u>	<u>(1,170,530)</u>	<u>2,308,400</u>
Non-operating grants, subsidies and contributions	30	6,854,731	6,145,878	9,355,608
Profit on disposal of assets	21	11,253	46,492	20,927
(Loss) on disposal of assets	21	(57,603)	(25,792)	(131,826)
Net result		<u>5,411,170</u>	<u>4,996,048</u>	<u>11,553,109</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13(a)	(96,856)	0	149,950,591
Total other comprehensive income		<u>(96,856)</u>	<u>0</u>	<u>149,950,591</u>
Total comprehensive income		<u>5,314,314</u>	<u>4,996,048</u>	<u>161,503,700</u>

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

Statement of Financial Position

As At 30th June 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	18,874,210	18,698,498
Trade and other receivables	5	2,505,839	2,076,252
Inventories	6	8,878	20,076
TOTAL CURRENT ASSETS		<u>21,388,927</u>	<u>20,794,826</u>
NON-CURRENT ASSETS			
Investments	4	26,705	28,445
Other receivables	5	143,032	148,275
Property, plant and equipment	7	44,799,706	39,343,132
Infrastructure	8	215,835,923	216,104,769
TOTAL NON-CURRENT ASSETS		<u>260,805,366</u>	<u>255,624,621</u>
TOTAL ASSETS		<u>282,194,293</u>	<u>276,419,447</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,614,434	1,911,018
Current portion of long term borrowings	10	386,723	366,109
Provisions	11	1,612,470	1,526,178
TOTAL CURRENT LIABILITIES		<u>4,613,627</u>	<u>3,803,305</u>
NON-CURRENT LIABILITIES			
Long term borrowings	10	1,363,958	1,750,681
Provisions	11	258,061	219,388
TOTAL NON-CURRENT LIABILITIES		<u>1,622,019</u>	<u>1,970,069</u>
TOTAL LIABILITIES		<u>6,235,646</u>	<u>5,773,374</u>
NET ASSETS		<u>275,958,647</u>	<u>270,646,073</u>
EQUITY			
Retained surplus		100,646,210	95,477,688
Reserves - cash backed	12	6,103,511	5,860,863
Revaluation surplus	13(a)	169,214,446	169,311,302
Reserves - Financial Asset Revaluation	13(b)	(5,520)	(3,780)
TOTAL EQUITY		<u>275,958,647</u>	<u>270,646,073</u>

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

Statement of Changes in Equity

For The Year Ended 30th June 2016

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	FINANCIAL ASSET REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		84,944,355	4,841,087	19,360,711	(6,570)	109,139,583
Comprehensive income						
Net result		11,553,109	0	0	0	11,553,109
Changes on revaluation of assets	13	0	0	149,950,591	2,790	149,953,381
Total comprehensive income		<u>11,553,109</u>	<u>0</u>	<u>149,950,591</u>	<u>2,790</u>	<u>161,506,490</u>
Transfers from/(to) reserves	12	(1,019,776)	1,019,776	0	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2015		95,477,688	5,860,863	169,311,302	(3,780)	270,646,073
Comprehensive income						
Net result		5,411,170	0	0	0	5,411,170
Changes on revaluation of assets	13	0	0	(96,856)	(1,740)	(98,596)
Total comprehensive income		<u>5,411,170</u>	<u>0</u>	<u>(96,856)</u>	<u>(1,740)</u>	<u>5,312,574</u>
Transfers from/(to) reserves	12	(242,648)	242,648	0	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		<u>100,646,210</u>	<u>6,103,511</u>	<u>169,214,446</u>	<u>(5,520)</u>	<u>275,958,647</u>

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

Statement of Cash Flows

For The Year Ended 30th June 2016

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		18,311,376	18,282,029	16,300,442
Operating grants, subsidies and contributions		2,109,467	5,156,880	4,200,803
Fees and charges		5,755,055	5,605,756	5,603,577
Interest earnings		798,910	650,000	884,078
Goods and services tax		0	0	44,396
Other revenue		837,007	456,367	1,137,018
		<u>27,811,815</u>	<u>30,151,032</u>	<u>28,170,314</u>
Payments				
Employee costs		(10,878,800)	(12,582,994)	(10,091,840)
Materials and contracts		(10,534,574)	(12,696,972)	(11,552,346)
Utility charges		(1,165,473)	(930,100)	(1,020,442)
Interest expenses		(106,396)	(131,166)	(152,095)
Insurance expenses		(434,288)	(513,232)	(429,241)
Goods and services tax		(15,106)	(30,000)	(61,726)
Other expenditure		(119,127)	(247,145)	(219,737)
		<u>(23,253,764)</u>	<u>(27,131,609)</u>	<u>(23,527,427)</u>
Net cash provided by (used in) operating activities	14(b)	<u>4,558,051</u>	<u>3,019,423</u>	<u>4,642,887</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(7,051,981)	(7,765,144)	(2,957,386)
Payments for construction of infrastructure		(4,333,594)	(10,319,294)	(5,123,989)
Non-operating grants, subsidies and contributions		6,854,731	6,145,878	9,355,608
Proceeds from sale of fixed assets		514,614	732,000	733,996
Net cash provided by (used in) investment activities		<u>(4,016,230)</u>	<u>(11,206,560)</u>	<u>2,008,229</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(366,109)	(431,652)	(679,885)
Proceeds from new debentures		0	1,966,311	0
Net cash provided by (used in) financing activities		<u>(366,109)</u>	<u>1,534,659</u>	<u>(679,885)</u>
Net increase (decrease) in cash held		175,712	(6,652,478)	5,971,231
Cash at beginning of year		18,698,498	17,365,932	12,727,267
Cash and cash equivalents at the end of the year	14(a)	<u>18,874,210</u>	<u>10,713,454</u>	<u>18,698,498</u>

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

Rate Setting Statement

For The Year Ended 30th June 2016

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>2,456,991</u>	<u>903,435</u>	<u>1,159,771</u>
		2,456,991	903,435	1,159,771
Revenue from operating activities (excluding rates)				
Governance		4,368	166,790	340,106
General purpose funding		2,600,448	3,471,088	5,122,411
Law, order, public safety		655,720	514,796	583,037
Health		81,408	162,750	76,419
Education and welfare		146,932	78,200	83,928
Community amenities		4,043,553	3,837,806	3,668,802
Recreation and culture		526,454	108,612	111,496
Transport		476,555	1,088,053	672,205
Economic services		885,139	955,500	957,511
Other property and services		404,477	331,900	396,582
		<u>9,825,054</u>	<u>10,715,495</u>	<u>12,012,497</u>
Expenditure from operating activities				
Governance		(4,007,683)	(4,753,118)	(4,308,272)
General purpose funding		(592,298)	(637,071)	(668,111)
Law, order, public safety		(1,994,470)	(2,013,919)	(1,855,696)
Health		(624,711)	(821,178)	(583,590)
Education and welfare		(967,505)	(1,200,414)	(908,910)
Community amenities		(6,260,417)	(6,470,563)	(5,788,387)
Recreation and culture		(4,748,805)	(4,708,076)	(4,003,745)
Transport		(9,020,675)	(7,758,057)	(6,791,575)
Economic services		(1,089,032)	(316,168)	(896,147)
Other property and services		(370,270)	(1,168,788)	(400,365)
		<u>(29,675,866)</u>	<u>(29,847,352)</u>	<u>(26,204,798)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(11,253)	(46,492)	(20,927)
Loss on disposal of assets	21	57,603	25,792	131,826
Movement in deferred pensioner rates (non-current)		5,243	0	(15,970)
Movement in employee benefit provisions (non-current)		38,673	0	(103,464)
Depreciation and amortisation on assets	2(a)	5,540,027	3,397,710	2,942,932
Amount attributable to operating activities		<u>(11,763,528)</u>	<u>(14,851,412)</u>	<u>(10,098,133)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		6,854,731	6,145,878	9,355,608
Proceeds from disposal of assets	21	514,614	732,000	733,996
Purchase of property, plant and equipment	7(b)	(7,051,981)	(7,765,144)	(2,957,386)
Purchase and construction of infrastructure	8(b)	(4,333,594)	(10,319,294)	(5,123,989)
Amount attributable to investing activities		<u>(4,016,230)</u>	<u>(11,206,560)</u>	<u>2,008,229</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(366,109)	(431,653)	(679,885)
Proceeds from new debentures	22(a)	0	1,966,311	0
Increase (decrease) in financial asset		(1,740)	0	2,790
Transfers to reserves (restricted assets)	12	(1,838,982)	(1,214,649)	(1,969,894)
Transfers from reserves (restricted assets)	12	1,596,334	1,816,867	950,118
Transfers to restricted cash	2(c)	(1,922,131)	(191,000)	(7,360,170)
Transfers from restricted cash	2(c)	2,140,429	6,204,630	3,214,133
Amount attributable to financing activities		<u>(392,199)</u>	<u>8,150,506</u>	<u>(5,842,908)</u>
Surplus(deficiency) before general rates		<u>(16,171,957)</u>	<u>(17,907,466)</u>	<u>(13,932,812)</u>
Total amount raised from general rates	23	<u>18,407,251</u>	<u>17,982,029</u>	<u>16,389,803</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u>2,235,294</u>	<u>74,563</u>	<u>2,456,991</u>

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

Except for cash flow and rate setting information, the report has 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.

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 20 to these financial statements.

(b) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(c) Cash and Cash Equivalents

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Land	Not depreciated
Buildings	
Structural	50 years
Internal Fit-Out	15 - 25 years
Mechanical Services	25 - 35 years
Security	15 years
Fire systems	15 years
Other Building Structures	15 - 25 years
Plant and Equipment	5 - 15 years
Motor Vehicles	2 - 5 years
Furniture and Equipment	4 - 10 years
Computer Equipment	2 - 5 years
Roads	
Subgrade	Not depreciated
Pavement	
Unsealed	10 years
Urban and Regional	60 - 100 years
Surface	5 - 20 years
Surface Water Channel	
Kerbing	40 years
Drains	8 - 15 years
Drainage	
Culvert	80 years
Stormwater Drainage	100 years
Footpaths	40 - 80 years
Parks and Reserves	
Land	Not depreciated
Softscapes	50 years
Hardscapes	40 - 80 years
Reticulation	20 years
Parks Furniture	10 - 20 years
Lighting	15 - 25 years
Other Structures	10 - 40 years

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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

Land	\$1
Artworks	\$5,000
Buildings	\$10,000
Computer Equipment	\$10,000
Furniture	\$10,000
Plant & Equipment	\$10,000
Motor Vehicles	\$10,000
Roads	\$1
Drainage	\$1
Footpaths	\$1
Parks and Reserves	\$10,000

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 an asset at its current service capacity.

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

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

(v) Financial liabilities

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

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and Other Payables

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

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

(m) 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.

(n) Leases

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 in the periods in which they are incurred.

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

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the 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 2018	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 upon 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 onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. 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 to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

Notes:

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

2. REVENUE AND EXPENSES	2016	2015
(a) Net Result	\$	\$
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	27,813	36,292
- Risk Management Review	0	20,099
- Other Services	14,333	11,473
	<u>42,146</u>	<u>67,864</u>
Depreciation		
Buildings - specialised	388,665	353,445
Furniture and equipment	3,504	7,419
Plant and equipment	309,335	264,350
Motor Vehicles	230,407	236,737
Computer Equipment	5,676	18,620
Infrastructure - roads	3,872,434	1,932,715
Infrastructure - footpaths	176,269	54,968
Infrastructure - drainage	273,581	49,533
Infrastructure - parks and ovals	280,156	25,145
	<u>5,540,027</u>	<u>2,942,932</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	106,277	151,690
	<u>106,277</u>	<u>151,690</u>
Rental charges		
- Operating leases	707,922	744,344
	<u>707,922</u>	<u>744,344</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	766,403	692,098
Other	70,604	444,918
	<u>837,007</u>	<u>1,137,016</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	124,619	125,000
- Restricted funds	163,772	6,000
- Other funds	224,697	300,000
Other interest revenue (refer note 28)	285,822	219,000
	<u>798,910</u>	<u>650,000</u>
	<u>798,910</u>	<u>884,078</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire's six vision categories, Governance and Leadership, Built Environment, Natural Environment, Financial Sustainability, Local Economy, and Community Wellbeing, will come together to unite, creating a community which is sustainable, connected and thriving.

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

GOVERNANCE

Objective:

To provide a decision making process for the efficient allocation of scarce resources.

Activities:

Members of Council, Chief Executive Office, public relations and subscriptions, administration, finance and community development.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rate revenue, late payment penalty, general purpose grants, untied road grants, commissions, interest on investments, reimbursements and banking costs.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

Volunteer bushfire brigades, fire prevention, animal control, emergency management and public safety.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Health services including infant health, inspection of premises, pest control, and preventative maintenance.

EDUCATION AND WELFARE

Objective:

To provide services to disadvantaged persons, the elderly, children and youth.

Activities:

Pre-schools, community services and family centres.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Waste management including household refuse and recycling, bulk verge green and hard waste collections, environmental and sustainability, town planning, public conveniences and cemeteries.

RECREATION AND CULTURE

Objective:

To establish and effectively manage infrastructure and resources which will help the social well-being of the community.

Activities:

Provision of facilities and support of organisations with leisure activities and sport including halls, sports grounds, parks and gardens, and the Mundijong Library.

TRANSPORT

Objective:

To provide safe, effective and efficient transport services to the community.

Activities:

Construction and maintenance of roads, bridges, footpaths, Council depot, purchases of plant and equipment and engineering design.

ECONOMIC SERVICES

Objective:

To help promote the Shire and it's economic wellbeing.

Activities:

Rural services such as weed control of reserves, tourism and area promotion, management of building applications and economic development.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Council's overhead operating accounts.

Activities:

Private works, public works overheads, plant operation, Jarrahdale Heritage Park development and administration costs

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

	Grant/Contribution	Function/ Activity	Opening Balance (1) 1/07/14	Received (2) 2014/15	Expended (3) 2014/15	Closing Balance (1) 30/06/15	Received (2) 2015/16	Expended (3) 2015/16	Closing Balance 30/06/16
	Byford Youth Forum	Governance	8,817	258	0	9,075	248	0	9,323
	Emerg. Services - Cadets	Law, Order & Public Safety	8,183	0	(4,277)	3,906	0	0	3,906
	Emerg. Services - Family Fun Day	Law, Order & Public Safety	5,844	0	0	5,844	0	0	5,844
	FESA Operating Grant Q1	Law, Order & Public Safety	103,485	108,900	(103,485)	108,900	97,593	(108,900)	97,593
	Fire Contributions from Developers	Law, Order & Public Safety	40,977	0	0	40,977	29,891	0	70,868
	Environmental Works - TTREE Transfer	Community Amenities	85,374	0	0	85,374	0	(15,818)	69,556
	Royalties for Regions - BDCC 14/15	Recreation & Culture	0	600,000	(378,292)	221,708	0	(221,708)	0
	Country Local Government - Whitby Falls	Recreation & Culture	968,603	0	(941,895)	26,908	0	(26,908)	0
	Committed Capital Projects - Recreation & Culture	Recreation & Culture	0	406,117	0	406,117	0	(406,117)	0
	Darling Downs Developer Contributions	Recreation & Culture	34,917	851	(22,876)	12,892	310	(2,000)	11,202
	Country Local Government Funding 11/12	Recreation & Culture	18,437	0	(18,437)	0	0	0	0
	SJ Rec Centre - Byford Sport & Rec Council	Recreation & Culture	2,079	0	0	2,079	0	0	2,079
	17 Clifton St, Byford - Laneway contribution	Transport	22,052	674	0	22,726	618	0	23,344
	Backstop Funding	Transport	20,880	4,800	(20,880)	4,800	28,000	(4,427)	28,373
	Byford by the Scarp	Transport	253,125	0	0	253,125	0	(44,136)	208,989
	Byford Central Stage 6A	Transport	12,764	417	0	13,181	346	0	13,527
	Committed Capital Projects Transport	Transport	2,918,643	4,829,331	(1,371,637)	6,376,337	1,294,813	(274,800)	6,955,242
	Developer Contributions	Transport	0	274,800	0	274,800	1,765	(715,908)	0
	Drainage Contribution - Thomas Road (Rivermoon)	Transport	62,657	1,908	0	64,565	0	0	66,330
	L3 Thomas Road, Byford - Maint Landscaping	Transport	26,711	823	0	27,534	749	0	28,283
	L3 Thomas Road, Byford - Maint Walker Quality	Transport	69,043	2,129	0	71,172	1,937	0	73,109
	L40 Beenyup Road, Byford - Laneway contribution	Transport	28,047	916	0	28,963	761	0	29,724
	L7 Beenyup Road, Byford - Laneway contribution	Transport	28,172	921	0	29,093	765	0	29,858
	L8 South West Hwy - Laneway Contribution	Transport	28,370	865	0	29,235	795	0	30,030
	Thomas Road Design - Main Roads Grant	Transport	0	396,000	(209,554)	186,446	0	(168,733)	17,713
	Mundijong Landowners Developer Contribution	Transport	130,000	0	(98,021)	31,979	0	(31,979)	0
	Regional Road Group Funding	Transport	36,979	66,219	(36,979)	66,219	448,158	(75,095)	439,282
	Rivermoon Drainage Contribution	Transport	0	129,709	0	129,709	3,553	0	133,262
	Rivermoon Landscape Contribution	Transport	0	446,532	0	446,532	11,829	0	458,361
	State NRM Funding - Serpentine National Park	Transport	8,000	0	(8,000)	0	0	0	0
	Committed Capital Projects Economic	Economic Services	0	43,900	0	43,900	0	(43,900)	0
	Tourism WA Camping Dump Point	Economic Services	0	44,100	0	44,100	0	0	44,100
	Total		4,922,159	7,360,170	(3,214,133)	9,068,196	1,922,131	(2,140,429)	8,849,898

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		3,947,481	3,797,859
Restricted		14,926,729	14,900,639
		<u>18,874,210</u>	<u>18,698,498</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Administration Building	12	1,809	1,772
Asset Management	12	761,687	622,458
Byford BMX Track	12	330,787	0
Byford Locality Funding	12	3,414	2,634
Community Facilities	12	270,938	656,398
Investment	12	633,625	619,767
Jarrahdale Communications Tower	12	141,135	123,618
Jarrahdale Locality Funding	12	64,726	33,215
Keysbrook Locality Funding	12	32,590	2,537
Leave	12	459,652	629,658
Light Fleet & Plant Acquisition	12	800,699	897,647
Millbrace Bridge Preservation	12	0	11,686
Multi Use Trails	12	16,994	16,643
Mundijong Locality Funding	12	62,252	17,162
Natural Disaster Recovery Management Account	12	130,024	220,564
Oakford Locality Funding	12	95,966	64,605
Renewable Energy	12	31,712	31,058
Serpentine Jarrahdale Locality Funding	12	26,091	25,553
Serpentine Jarrahdale Sporting Precinct	12	302,744	296,497
Serpentine Locality Funding	12	77,161	29,539
Tourism	12	0	1,896
Waste	12	1,774,311	1,470,229
Workers Compensation Premium	12	58,514	57,307
Unspent grants	2(c)	8,849,898	9,068,196
		<u>14,926,729</u>	<u>14,900,639</u>
4. INVESTMENTS			
Available for Sale Financial Assets Comprises of:			
Unlisted Investments		10,025	10,025
Listed Investments		16,680	18,420
		<u>26,705</u>	<u>28,445</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Investment	12	10,000	10,000
Tourism	12	16,680	18,420
		<u>26,680</u>	<u>28,420</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

	2016 \$	2015 \$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	1,100,602	999,484
Sundry debtors	1,140,181	868,435
GST receivable	218,339	203,233
Prepaid Expenses	46,717	5,100
	<u>2,505,839</u>	<u>2,076,252</u>
Non-current		
Rates outstanding - pensioners	143,032	148,275
	<u>143,032</u>	<u>148,275</u>
6. INVENTORIES		
Current		
Fuel and materials	4,988	13,608
History books	3,890	6,468
	<u>8,878</u>	<u>20,076</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

7 (a). PROPERTY, PLANT AND EQUIPMENT

Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	6,693,750	6,693,750
	<u>6,693,750</u>	<u>6,693,750</u>
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	907,628	907,628
	<u>907,628</u>	<u>907,628</u>
	<u>7,601,378</u>	<u>7,601,378</u>
Buildings - specialised at:		
- Independent valuation 2014 - level 3	26,669,849	26,723,809
- Additions after valuation - cost	7,030,014	1,270,142
Less: accumulated depreciation	<u>(742,111)</u>	<u>(353,445)</u>
	32,957,752	27,640,506
	<u>32,957,752</u>	<u>27,640,506</u>
Total land and buildings	<u>40,559,130</u>	<u>35,241,884</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	14,712	0
- Management valuation 2013 - level 3	0	8,950
- Independent valuation 2013 - level 3	0	23,787
Less accumulated depreciation	<u>0</u>	<u>(14,521)</u>
	14,712	18,216
Plant and equipment at:		
- Management valuation 2016 - level 3	523,983	0
- Independent valuation 2016 - level 2	543,400	0
- Independent valuation 2016 - level 3	1,362,100	0
- Independent valuation 2013 - level 3	0	1,984,955
- Additions after valuation - cost	0	942,208
Less accumulated depreciation	<u>0</u>	<u>(449,015)</u>
	2,429,483	2,478,148
Motor Vehicles at:		
- Management valuation 2016 - level 2	1,009,328	0
- Independent valuation 2016 - level 2	167,000	0
- Independent valuation 2016 - level 3	443,000	0
- Management valuation 2013 - level 2	0	26,929
- Independent valuation 2013 - level 2	0	534,943
- Additions after valuation - cost	0	1,286,663
Less accumulated amortisation	<u>0</u>	<u>(250,527)</u>
	1,619,328	1,598,008
Computer Equipment at:		
- Management valuation 2016 - level 3	1,200	0
- Management valuation 2013 - cost	0	33,949
- Independent valuation 2013 - level 3	0	8,408
Less accumulated depreciation	<u>0</u>	<u>(35,481)</u>
	1,200	6,876
Capital Works in Progress at:		
- Additions after valuation - cost	175,853	0
Less accumulated depreciation	<u>0</u>	<u>0</u>
	175,853	0
	<u>44,799,706</u>	<u>39,343,132</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

7 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

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.

	Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Losses)/ Reversals Through Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold	6,693,750	0	0	0	0	0	0	0	6,693,750
Land - vested in and under the control of Council	907,628	0	0	0	0	0	0	0	907,628
Total land	7,601,378	0	0	0	0	0	0	0	7,601,378
Buildings - specialised	27,640,506	5,705,911	0	0	0	0	(388,665)	0	32,957,752
Total buildings	27,640,506	5,705,911	0	0	0	0	(388,665)	0	32,957,752
Total land and buildings	35,241,884	5,705,911	0	0	0	0	(388,665)	0	40,559,130
Furniture and equipment	18,216	0	0	0	0	0	(3,504)	0	14,712
Plant and equipment	2,478,148	474,112	(48,646)	(164,796)	0	0	(309,335)	0	2,429,483
Motor Vehicles	1,598,006	696,105	(512,318)	67,940	0	0	(230,407)	0	1,619,328
Computer Equipment	6,876	0	0	0	0	0	(5,676)	0	1,200
Capital Works in Progress	0	175,853	0	0	0	0	0	0	175,853
Total property, plant and equipment	39,343,132	7,051,981	(560,964)	(96,856)	0	0	(937,687)	0	44,799,706

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

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	2	Market approach using recent observable market data for similar properties	Independent Valuers	June 2014	Price per hectare
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar properties	Independent Valuers	June 2014	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Valuers	June 2014	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Furniture and equipment	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
Plant and equipment					
- 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
- Independent valuation 2016	3	Sales comparison approach and cost approach	Independent Valuers	June 2016	Comparison to sales of similar properties that have been transacted in the market (level 2), residual values and remaining useful life assessments (level 3) inputs
Motor Vehicles					
- Management valuation 2016	2	Market approach using recent observable market data for similar assets	Management Valuation	June 2016	Price per item
- Independent valuation 2016	2	Sales comparison approach and cost approach	Independent Valuers	June 2016	Price per item

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

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
Computer Equipment	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
Capital Works In Progress	2	Cost approach	Management Valuation	June 2016	Construction costs (level 2)

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.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

	2016 \$	2015 \$
8 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Management valuation 2015 - level 3	172,252,197	172,375,211
- Additions after valuation - cost	4,080,709	0
Less accumulated depreciation	<u>(3,872,434)</u>	<u>0</u>
	172,460,472	172,375,211
Infrastructure - footpaths		
- Management valuation 2015 - level 3	10,716,462	10,593,448
- Additions after valuation - cost	204,232	0
Less accumulated depreciation	<u>(176,269)</u>	<u>0</u>
	10,744,425	10,593,448
Infrastructure - drainage		
- Management valuation 2015 - level 3	18,751,878	18,751,878
- Additions after valuation - cost	4,058	0
Less accumulated depreciation	<u>(273,581)</u>	<u>0</u>
	18,482,355	18,751,878
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	14,384,232	14,384,232
- Additions after valuation - cost	44,595	0
Less accumulated depreciation	<u>(280,156)</u>	<u>0</u>
	14,148,671	14,384,232
	<u>215,835,923</u>	<u>216,104,769</u>

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	172,375,211	4,080,709	0	0	0	0	(3,872,434)	0	172,583,486
Infrastructure - footpaths	10,583,448	204,232	0	0	0	0	(176,269)	0	10,621,411
Infrastructure - drainage	18,751,878	4,058	0	0	0	0	(273,581)	0	18,482,355
Infrastructure - parks and ovals	14,384,232	44,595	0	0	0	0	(280,156)	0	14,148,671
Total Infrastructure	216,104,769	4,333,594	0	0	0	0	(4,602,440)	0	215,835,923

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

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 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	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.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

	2016 \$	2015 \$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	1,865,634	1,680,592
Accrued interest on debentures	659	778
Accrued salaries and wages	748,141	229,648
	<u>2,614,434</u>	<u>1,911,018</u>
10. LONG-TERM BORROWINGS		
Current		
Secured by floating charge Debentures	386,723	366,109
	<u>386,723</u>	<u>366,109</u>
Non-current		
Secured by floating charge Debentures	1,363,958	1,750,681
	<u>1,363,958</u>	<u>1,750,681</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for Sick Leave \$	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015				
Current provisions	101,711	881,484	542,983	1,526,178
Non-current provisions	0	0	219,388	219,388
	<u>101,711</u>	<u>881,484</u>	<u>762,371</u>	<u>1,745,566</u>
Additional provision	25,850	915,442	165,602	1,106,894
Amounts used	(17,469)	(834,244)	(47,575)	(899,288)
Amounts paid out	0	(135,333)	(47,940)	(183,273)
Other movements	3,865	32,133	(31,688)	4,310
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	0	96,322	96,322
Balance at 30 June 2016	<u>113,957</u>	<u>859,482</u>	<u>897,092</u>	<u>1,870,531</u>
Comprises				
Current	113,957	859,482	639,031	1,612,470
Non-current	0	0	258,061	258,061
	<u>113,957</u>	<u>859,482</u>	<u>897,092</u>	<u>1,870,531</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 (from)	Actual 2015 Closing Balance
Administration Building	1,772	37	0	1,809	1,772	35	0	1,807	61,302	2,129	(61,659)	1,772
Asset Management	622,456	188,453	(49,224)	761,687	153,804	178,333	(150,000)	182,137	255,668	458,469	(91,679)	622,456
Byford BMX Track	0	330,787	0	330,787	5,834	114	(3,359)	2,589	0	0	0	0
Byford Locality Funding	2,634	33,414	(32,634)	3,414	0	0	0	0	26,456	919	(24,741)	2,634
Community Facilities	656,396	13,830	(399,290)	270,936	468,990	9,133	(460,000)	18,123	604,105	224,268	(171,963)	656,396
Investment	629,767	13,858	0	643,625	629,768	12,264	0	642,032	607,858	21,908	0	629,767
Jarrahdale Communications Tower	123,618	59,008	(41,491)	141,135	110,658	30,867	0	141,725	97,502	54,391	(28,275)	123,618
Jarrahdale Locality Funding	33,215	63,125	(31,614)	64,726	33,116	645	(32,425)	1,386	17,357	15,828	0	33,215
Keybrook Locality Funding	2,537	30,053	0	32,590	2,537	49	0	2,986	41,109	1,428	(40,000)	2,537
Leave	629,658	13,267	(163,273)	479,652	629,658	12,262	(86,895)	555,225	708,916	24,618	(103,876)	629,658
Light Fleet & Plant Acquisition	897,647	58,655	(655,603)	800,699	781,702	549,467	(1,010,050)	301,119	711,891	574,731	(388,975)	897,647
Milbrace Bridge Preservation	11,686	246	(11,932)	0	168	3	0	171	11,294	392	0	11,686
Multi Use Trails	16,643	351	0	16,994	16,643	324	0	16,967	16,084	559	0	16,643
Munding Locality Funding	17,162	45,901	(811)	62,252	17,162	334	(15,539)	1,957	25,095	871	(8,604)	17,162
Natural Disaster Recovery Management Account	220,564	92,316	(162,656)	150,224	197,207	91,509	(28,282)	260,434	138,090	82,484	0	220,564
Oakford Locality Funding	64,605	31,361	0	95,966	64,604	1,258	0	65,862	33,443	31,162	0	64,605
Renewable Energy	31,058	654	0	31,712	31,057	605	0	31,662	30,015	1,043	0	31,058
Serpentine Jarrahdale Locality Funding	25,553	538	0	26,091	25,553	488	0	26,041	24,553	1,000	0	25,553
Serpentine Jarrahdale Sporting Precinct	296,497	6,247	0	302,744	286,458	5,774	0	302,272	286,547	9,950	0	296,497
Serpentine Locality Funding	29,539	47,622	0	77,161	28,112	547	(17,000)	11,659	28,803	852	(116)	29,539
Tourism	20,316	3,970	(7,606)	16,680	10,316	3,201	(13,517)	0	45,100	5,216	(30,000)	20,316
Waste	1,470,229	304,082	0	1,774,311	1,454,452	301,427	0	1,755,879	1,069,878	400,351	0	1,470,229
Workers Compensation Premium	57,307	1,207	0	58,514	0	0	0	1,755,879	0	57,307	0	57,307
	5,860,863	1,838,082	(1,596,334)	6,103,511	4,920,811	1,214,649	(1,816,867)	4,327,593	4,841,067	1,860,894	(950,118)	5,860,863

The reserve accounts are supported by money held in financial institutions and shares, and are included in the amount shown as restricted cash in Note 3 and the investments shown in Note 4 to this financial report.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

12. RESERVES - CASH BACKED (Continued)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Administration Building Asset Management	Ongoing	To provide for the employee accommodation requirements.
	Ongoing	To provide for the refurbishment of assets when they have reached their useful life and require extensive work to restore them back to original condition.
Byford BMX Track	Ongoing	To provide for the future Byford BMX track.
Community Facilities Investment	Ongoing	This reserve is for the establishment of additional facilities in the community.
Jarrahdale Communications Tower	Ongoing	These funds are to be used to leverage opportunities that may present themselves to Council from time to time.
Jarrahdale Locality Funding	Ongoing	To provide for the upgrades and maintenance of the tower when required.
Keystbrook Locality Funding	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Leave	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Light Fleet & Plant Acquisition	Ongoing	To be used to fund annual, sick (including depot EBA) and long service leave requirements.
Milbrace Bridge Preservation	Ongoing	To provide for the replacement of Light Fleet, Plant and Equipment as required under the replacement and acquisition program.
Multi Use Trails	Complete	To attract additional grant funding to restore Milbrace Bridge and reopen it as a public access way.
Mundijong Locality Funding	Ongoing	To allow for the construction of Multi Use Trails.
Natural Disaster Recovery Management Account	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Oakford Locality Funding	Ongoing	To provide for unanticipated significant emergency services events or plant repairs.
Renewable Energy	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
Serpentine Jarrahdale Locality Funding	Ongoing	This reserve is to allow Council to undertake renewable energy projects.
Serpentine Jarrahdale Sporting Precinct	Ongoing	Council initiated townscape related projects in the Serpentine Jarrahdale Shire
Serpentine Locality Funding	Ongoing	To provide funds for the Serpentine Jarrahdale Regional Sporting Precinct when grant applications require contribution funding.
Tourism	Ongoing	To provide funds for community purposes as per the Locality Funding for Townscape Projects Policy.
	Ongoing	This reserve has been modified to include the implementation of the tourism strategy and development of tourism throughout the district and region.
Waste	Ongoing	To provide for waste management requirements.
Workers Compensation Premium	Ongoing	To transfer any surplus funds returned to the Shire as a result of good performance from the workers compensation insurer to assist in funding possible future compensation claims that exceed budget allocation.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

13. (a) REVALUATION RESERVE - ASSET REVALUATIONS

	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
Land	6,072,592	0	0	0	6,072,592	6,072,592	0	0	0	6,072,592
Buildings	13,122,126	0	0	0	13,122,126	13,122,126	0	0	0	13,122,126
Plant and equipment	114,504	67,940	(164,796)	(96,856)	17,648	114,504	0	0	0	114,504
Furniture and equipment	45,243	0	0	0	45,243	45,243	0	0	0	45,243
Computer Equipment	6,246	0	0	0	6,246	6,246	0	0	0	6,246
Infrastructure - roads	114,062,446	0	0	0	114,062,446	0	114,062,446	0	114,062,446	114,062,446
Infrastructure - footpaths	8,103,689	0	0	0	8,103,689	0	8,103,689	0	8,103,689	8,103,689
Infrastructure - drainage	17,051,509	0	0	0	17,051,509	0	17,051,509	0	17,051,509	17,051,509
Infrastructure - parks and ovals	10,732,947	0	0	0	10,732,947	0	10,732,947	0	10,732,947	10,732,947
	169,311,302	67,940	(164,796)	(96,856)	189,214,446	19,360,711	149,950,591	0	149,950,591	169,311,302

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.

13. (b) REVALUATION SURPLUS - FINANCIAL ASSETS

	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
Financial Assets	(3,780)	0	(1,740)	(1,740)	(5,520)	(6,570)	2,790	0	2,790	(3,780)
	(3,780)	0	(1,740)	(1,740)	(5,520)	(6,570)	2,790	0	2,790	(3,780)

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016 \$	2016 Budget \$	2015 \$
Cash and cash equivalents	<u>18,874,210</u>	<u>10,713,454</u>	<u>18,698,498</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	5,411,170	4,996,048	11,553,109
Non-cash flows in Net result:			
Depreciation	5,540,027	3,397,710	2,942,932
(Profit)/Loss on sale of asset	46,350	(20,700)	110,899
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(424,344)	1,500,000	(272,960)
(Increase)/Decrease in inventories	11,198	(2,000)	2,771
Increase/(Decrease) in payables	703,416	(705,757)	(427,449)
Increase/(Decrease) in provisions	124,965	0	89,193
Grants contributions for the development of assets	(6,854,731)	(6,145,878)	(9,355,608)
Net cash from operating activities	<u>4,558,051</u>	<u>3,019,423</u>	<u>4,642,887</u>
(c) Undrawn Borrowing Facilities			
	2016		2015
	\$		\$
Credit Standby Arrangements			
Bank overdraft limit	100,000		100,000
Bank overdraft at balance date	0		0
Purchasing card limit	29,000		29,000
Purchasing card balance at balance date	(3,573)		(8,812)
Total amount of credit unused	<u>125,427</u>		<u>120,188</u>
Loan facilities			
Loan facilities - current	386,723		366,109
Loan facilities - non-current	1,363,958		1,750,681
Total facilities in use at balance date	<u>1,750,681</u>		<u>2,116,790</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

15. CONTINGENT LIABILITIES

The Shire does not have any contingent liabilities.

16. CAPITAL AND LEASING COMMITMENTS	2016 \$	2015 \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	752,880	647,711
- later than one year but not later than five years	865,399	826,797
- later than five years	0	0
	<u>1,618,279</u>	<u>1,474,508</u>
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	134,843	248,490
Payable:		
- not later than one year	134,843	248,490
The capital expenditure outstanding at the end of the current reporting period relates to the following projects;		
Admin Refurbishment	0	3,000
Skate Park Equipment relocation	0	2,000
Serpentine Skate Park	0	2,520
Byford Glades BBQ Area	0	13,700
Byford Country Club	2,028	53,636
Path Construction - Paterson St	0	1,500
Thomas Road - Design Work	0	42,370
Abernethy Road Design	15,595	110,239
Thomas Road - Portwine & Plaistowe Intersections	0	19,525
Byford Central Half Basketball Court & BBQ	12,213	0
Byford Tennis Court Resurface	15,015	0
Percy's Park Toilet	31,332	0
Abernethy Road - SW Hwy to Soldiers Road	58,660	0
	<u>134,843</u>	<u>248,490</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016 \$	2015 \$
Governance	231,243	273,232
General purpose funding	15,878,214	15,061,403
Law, order, public safety	3,319,256	3,416,828
Health	525,000	525,000
Education and welfare	26,050	29,358
Community amenities	494,602	524,531
Recreation and culture	44,600,268	39,988,160
Transport	213,314,518	212,797,568
Economic services	701,738	748,957
Other property and services	3,103,404	3,054,410
	<u>282,194,293</u>	<u>276,419,447</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	1.55	1.46	1.39
Asset sustainability ratio	0.71	0.84	1.22
Debt service cover ratio	8.90	6.36	0.63
Operating surplus ratio	(0.06)	0.09	(0.05)
Own source revenue coverage ratio	0.87	0.90	0.86

The above ratios are calculated as follows:

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,229,318.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015
Debt service cover ratio	11.50	4.89
Operating surplus ratio	(0.01)	0.04

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

20. 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 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Maintenance Bonds	36,674	590	0	37,264
Builders registration board levy	21,003	328,610	(349,613)	0
BCTIF collections	36,012	399,251	(435,263)	0
Footpath Bonds	209,385	0	(94,000)	115,385
Halls/Ovals Bonds	22,923	42,852	(42,240)	23,535
Sundry Bonds	17,706	8,588	(5,331)	20,963
Excavation Bonds	27,537	412	0	27,949
Cash in lieu of public open space	292,145	4,325	0	296,470
Capital projects retention funds	118,235	51,068	(88,684)	80,619
Temporary accomodation	1,000	1,000	0	2,000
Development Assessment Panel	0	18,795	(12,238)	6,557
SJ Tourism Association Trust	4,453	66	0	4,519
	<u>787,073</u>	<u>855,557</u>	<u>(1,027,369)</u>	<u>615,261</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Motor Vehicles								
Governance	194,325	182,544	4,368	(16,149)	223,744	231,000	9,923	(2,667)
Law, order, public safety	71,961	64,600	5,564	(12,925)	105,384	110,000	10,916	(6,300)
Health	21,961	19,091	0	(2,870)	14,272	14,000	0	(272)
Education and welfare	27,126	27,273	147	0	22,000	21,000	0	(1,000)
Community amenities	78,258	74,707	644	(4,195)	65,333	64,000	1,600	(2,933)
Recreation and culture	26,743	27,273	530	0	0	0	0	0
Transport	47,910	35,490	0	(12,420)	143,051	161,000	23,253	(5,304)
Economic services	17,285	14,545	0	(2,740)	15,157	14,000	0	(1,157)
Other property and services	75,395	69,091	0	(6,304)	122,359	117,000	800	(6,159)
	<u>560,964</u>	<u>514,614</u>	<u>11,253</u>	<u>(57,603)</u>	<u>711,300</u>	<u>732,000</u>	<u>46,492</u>	<u>(25,792)</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New		Principal		Principal		Interest	
	1 July	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	2015	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture									
Loan 91 Recreation Centre	1,152,061	0	0	262,920	262,920	889,141	889,141	65,398	67,197
Loan 117 Council Chambers Refurbishment	964,729	0	0	103,189	103,189	861,540	861,540	40,879	41,618
Transport									
Loan 121 Abernethy Road	0	0	1,966,311	0	65,544	0	1,900,767	0	22,350
	2,116,790	0	1,966,311	366,109	431,653	1,750,681	3,651,448	106,277	131,165

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

Council has not utilised an overdraft facility during the financial year although an overdraft facility of \$100,000 with the ANZ bank does exist.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV Residential Improved	8.7060	4,900	88,267,682	7,684,585	351,672	0	8,036,257	7,685,781	290,211	0	7,975,992
GRV Residential Vacant	14.3443	172	4,346,400	623,461	414,020	0	1,037,481	623,461	150,000	0	773,461
GRV Commercial/Industrial	8.2768	82	6,592,079	545,613	44,240	0	589,853	545,613	10,000	0	555,613
Unimproved value valuations											
UV Rural	0.3272	1,298	1,228,280,000	3,757,430	55,428	0	3,812,858	3,756,233	0	0	3,756,233
UV Rural Living	0.3552	1,514	692,935,000	2,461,305	10,072	0	2,471,377	2,461,305	0	0	2,461,305
UV Intensive Farming	1.0265	18	16,080,000	165,061	0	0	165,061	165,061	0	0	165,061
Sub-Total		7,984	2,036,501,161	15,237,455	875,432	0	16,112,887	15,237,454	450,211	0	15,687,665
Minimum payment											
Minimum \$											
Gross rental value valuations											
GRV Residential Improved	1.050	149	1,694,868	156,450	0	0	156,450	156,450	0	0	156,450
GRV Residential Vacant	1.105	1,358	6,318,642	1,500,590	0	0	1,500,590	1,500,590	0	0	1,500,590
GRV Commercial/Industrial	1.239	29	324,366	35,931	0	0	35,931	35,931	0	0	35,931
Unimproved value valuations											
UV Rural	1.239	303	77,075,321	375,417	0	0	375,417	375,417	0	0	375,417
UV Rural Living	1.239	184	57,422,000	227,976	0	0	227,976	227,976	0	0	227,976
UV Intensive Farming	1.239	0	0	0	0	0	0	0	0	0	0
Sub-Total		2,023	142,835,197	2,296,364	0	0	2,296,364	2,296,364	0	0	2,296,364
Discounts/concessions (refer note 27)											
Total amount raised from general rate		10,007	2,179,336,358	17,533,819	875,432	0	18,409,251	17,533,818	450,211	0	17,984,029
											(2,000)
											17,982,029

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	2,235,294	2,456,991	2,456,991
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	3,947,481	3,797,858	3,797,858
Restricted - Reserves	6,076,831	5,860,864	5,860,864
Restricted	8,849,898	9,068,195	9,068,195
Receivables			
Rates outstanding	1,100,602	999,484	999,484
Sundry debtors	1,140,181	868,435	868,435
GST receivable	218,340	203,233	203,233
Prepaid Expenses	46,717	5,100	5,100
Inventories			
Fuel and materials	4,988	13,608	13,608
History books	3,890	6,468	6,468
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,865,634)	(1,680,592)	(1,680,592)
Accrued interest on debentures	(659)	(778)	(778)
Accrued salaries and wages	(748,141)	(229,648)	(229,648)
Current portion of long term borrowings			
Secured by floating charge	(386,723)	(366,109)	(366,109)
Provisions			
Provision for annual leave	(859,482)	(881,484)	(881,484)
Provision for sick leave	(113,957)	(101,711)	(101,711)
Provision for long service leave	(639,031)	(542,983)	(542,983)
Unadjusted net current assets	16,775,300	17,019,940	17,019,940
Adjustments			
Less: Restricted Cash	(8,849,898)	(5,860,863)	(5,860,863)
Less: Reserves - restricted cash	(6,076,831)	(9,068,195)	(9,068,195)
Add: Current portion of long term borrowings			
Secured by floating charge	386,723	366,109	366,109
Adjusted net current assets - surplus/(deficit)	2,235,294	2,456,991	2,456,991

Difference

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

Council did not impose any Specified Area Rates.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

Council did not impose any Service Charges.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS - 2015/16 FINANCIAL YEAR

Rates Discounts

Rate or Fee Discount Granted	Type	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	Discount	2,000	2,000	2,000	Two payments of \$1000 each, for payment of rates in full by 4.30pm on 14th August 2015. By paying on time ratepayers automatically went in the draw to win.
			2,000	2,000	

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver of Concession is Granted	Objects of the Waiver	Reasons for the Waiver
Rural rates - Farmland concession	Where properties meet the Council SEG1 farmland Concession Policy criteria.	Council considers ratepayers eligible for the concession and maintain the rural character of the area in line with the strategic goals of Council.	This concession is in line with the vision category Financial Sustainability. Council provides a rate concession to properties maintaining genuine farming interests. It ensures that Council is protecting and developing appropriate agricultural and horticultural industries and pursuits within the Shire.
Rural rates - Conservation Concession	Where properties meet the conservation eligibility criteria.	Conservation zoning allows landowners with areas of high conservation value to receive reductions in council rates. The initiative has been established by Council to reward landowners who have retained and maintained bushland and wetland.	Council recognises that nature conservation on private land is essential to maintaining the quality of life that all residents of the Shire and Serpentine River Catchment area enjoy. Landowners must demonstrate to Council that their bush land and/or wetland area is of high conservation value by meeting the criteria.

28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One Single full payment	14th August 2015	0	0.00%	0.00%
Option Two First Instalment	14th August 2015	10	0.00%	0.00%
Second Instalment	14th October 2015	0	5.50%	11.00%
Option Three First Instalment	14th August 2015	30	0.00%	0.00%
Second Instalment	14th October 2015	0	5.50%	11.00%
Third Instalment	15th December 2015	0	5.50%	11.00%
Fourth Instalment	18th February 2016	0	5.50%	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	185,562	139,000
Interest on instalment plan	100,230	80,000
Charges on instalment plan	113,400	90,000
	<u>399,222</u>	<u>309,000</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	0	0
General purpose funding	241,537	261,666
Law, order, public safety	175,282	126,953
Health	45,975	47,827
Education and welfare	554	594
Community amenities	4,025,418	3,662,630
Recreation and culture	65,502	40,492
Transport	307,906	507,749
Economic services	871,696	944,325
Other property and services	21,185	11,341
	<u>5,755,055</u>	<u>5,603,577</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	0	909
General purpose funding	1,285,653	3,643,662
Law, order, public safety	469,349	455,525
Education and welfare	146,231	83,334
Community amenities	18,000	5,645
Recreation and culture	324,788	182
Transport	165,366	164,457
Economic services	13,443	13,186
	<u>2,422,830</u>	<u>4,366,900</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	795,486
Recreation and culture	3,787,000	653,191
Transport	3,067,731	7,906,931
	<u>6,854,731</u>	<u>9,355,608</u>
	<u>9,277,561</u>	<u>13,722,508</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>140</u>	<u>125</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	152,440	152,440	150,480
President's allowance	36,050	36,050	35,649
Deputy President's allowance	9,012	9,013	9,012
Travelling expenses	38,326	35,000	34,352
Telecommunications allowance	31,581	31,500	31,091
	<u>267,409</u>	<u>264,003</u>	<u>260,584</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2015/16 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets				
Cash and cash equivalents	18,874,210	18,698,498	18,874,210	18,698,498
Investments	26,705	28,445	26,705	28,445
Receivables	2,648,871	2,224,527	2,648,871	2,224,527
	<u>21,549,786</u>	<u>20,951,470</u>	<u>21,549,786</u>	<u>20,951,470</u>
Financial liabilities				
Payables	2,614,434	1,911,018	2,614,434	1,911,018
Borrowings	1,750,681	2,116,790	1,875,878	2,127,457
	<u>4,365,115</u>	<u>4,027,808</u>	<u>4,490,312</u>	<u>4,038,475</u>

Fair value is determined as follows:

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2016 \$	2015 \$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	2,671	2,845
- Statement of Comprehensive Income	2,671	2,845
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	188,742	186,985
- Statement of Comprehensive Income	188,742	186,985

Notes:

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

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	93.53%	94.85%
- Overdue	6%	5.15%

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2016					
Payables	2,614,434	0	0	2,614,434	2,614,434
Borrowings	472,514	1,377,446	144,139	1,994,099	1,750,681
	<u>3,086,948</u>	<u>1,377,446</u>	<u>144,139</u>	<u>4,608,533</u>	<u>4,365,115</u>
2015					
Payables	1,911,018	0	0	1,911,018	1,911,018
Borrowings	472,514	1,705,821	288,278	2,466,613	2,116,790
	<u>2,383,532</u>	<u>1,705,821</u>	<u>288,278</u>	<u>4,377,631</u>	<u>4,027,808</u>

Notes to and Forming Part of the Financial Report

For The Year Ended 30th June 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debentures	0	0	889,141	0	0	861,540	1,750,681	5.20%
Weighted average								
Effective interest rate			6.02%			4.36%		
Year ended 30 June 2015								
Borrowings								
Fixed rate								
Debentures	0	0	0	1,152,061	0	964,729	2,116,790	5.26%
Weighted average								
Effective interest rate				6.02%		4.36%		

Independent Auditor's Report

MOORE STEPHENS

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF SERPENTINE JARRAHDALE

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REPORT ON THE CONCISE FINANCIAL REPORT

We have audited the accompanying concise financial report of the Shire of Serpentine Jarrahdale, which comprises the statement of financial position as at 30 June 2016, 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 the statement by Chief Executive Officer. The concise financial report does not contain all disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Management's Responsibility for the Concise Financial Report

Management is responsible for the preparation of the concise financial report that gives a true and fair view in accordance with Standard AASB 1039: Concise Financial Reports, and for such internal control as management determines is necessary to enable the preparation of the concise financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which are conducted in accordance with Auditing Standard ASA 810: Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the full financial report of the Shire of Serpentine Jarrahdale for the year ended 30 June 2016. We expressed an unmodified audit opinion on that financial report in our report dated 28 October 2016. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the concise financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the concise financial report 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the full financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the full financial report for the year. These procedures have been undertaken to form an opinion on whether, in all material respects, the concise financial report complies with AASB 1039: Concise Financial Reports and whether the other disclosures complies with the requirements laid down in AASB 1039: Concise Financial Reports.

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

Independent Auditor's Report

MOORE STEPHENS

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF SERPENTINE JARRAHDALE (CONTINUED)

Opinion

In our opinion, the concise financial report of the Shire of Serpentine Jarrahdale for the year ended 30 June 2016 complies with Accounting Standard AASB 1039: Concise Financial Reports.

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

**MOORE STEPHENS
CHARTERED ACCOUNTANTS**



**GREG GUDWIN
PARTNER**

Date: 28 October 2016
PERTH, WA

Supplementary Ratio Information

For The Year Ended 30th June 2016

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	0.98	0.74	0.78
Asset renewal funding ratio	0.56	0.44	0.62

The above ratios are calculated as follows:

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



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Shire of
Serpentine
Jarrahdale

Sustainable. Connected. Thriving!

