

SHIRE OF MORAWA
BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

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SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
REVENUE				
Rates	8	1,547,652	1,432,429	1,466,524
Operating Grants, Subsidies and Contributions		1,101,808	2,566,715	2,098,142
Fees and Charges	11	946,821	784,426	956,470
Interest Earnings	2(a)	240,500	237,232	240,060
Other Revenue		106,032	376,277	107,348
		<u>3,942,813</u>	<u>5,397,079</u>	<u>4,868,544</u>
EXPENSES				
Employee Costs		(1,681,451)	(1,866,663)	(1,942,185)
Materials and Contracts		(1,799,709)	(1,111,649)	(1,565,490)
Utility Charges		(390,138)	(266,242)	(328,027)
Depreciation	2(a)	(1,386,877)	(1,406,099)	(1,093,212)
Interest Expenses	2(a)	(15,460)	(19,389)	(19,575)
Insurance Expenses		(190,362)	(250,384)	(220,832)
Other Expenditure		(583,398)	(86,820)	(617,546)
		<u>(6,047,395)</u>	<u>(5,007,246)</u>	<u>(5,786,867)</u>
		(2,104,582)	389,833	(918,323)
Non-Operating Grants, Subsidies and Contributions		5,518,686	1,250,290	5,783,215
Profit on Asset Disposals	4	0	3,636	12,273
Loss on Asset Disposals	4	(40,944)	0	(26,309)
NET RESULT		3,373,160	1,643,759	4,850,856
Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>3,373,160</u>	<u>1,643,759</u>	<u>4,850,856</u>

Notes:

All fair value adjustments relating to re-measurement of financial assets at fair value through profit or loss and (if any) changes on revaluation of non-current assets in accordance with the mandating of fair value measurement through Other Comprehensive Income, is impacted upon by external forces and is not able to be reliably estimated at the time of budget adoption.

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

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

Fair value adjustments will be assessed at the time they occur with compensating budget amendments made as necessary.

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

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
REVENUE (Refer Notes 1,2,8 to 13)				
Governance		8,510	3,914	8,510
General Purpose Funding		2,532,930	3,997,877	3,238,354
Law, Order, Public Safety		44,420	44,687	40,477
Health		8,000	4,759	8,910
Education and Welfare		48,600	62,813	51,500
Housing		122,901	48,270	101,470
Community Amenities		597,267	429,974	525,532
Recreation and Culture		35,531	78,874	85,137
Transport		242,138	419,508	436,676
Economic Services		209,899	159,069	282,685
Other Property and Services		92,617	147,334	89,293
		<u>3,942,813</u>	<u>5,397,079</u>	<u>4,868,544</u>
EXPENSES EXCLUDING				
FINANCE COSTS (Refer Notes 1,2 & 14)				
Governance		(499,849)	(399,809)	(487,310)
General Purpose Funding		(193,557)	(167,260)	(186,774)
Law, Order, Public Safety		(148,151)	(123,546)	(160,132)
Health		(211,940)	(204,936)	(286,791)
Education and Welfare		(769,575)	(233,322)	(725,601)
Housing		(156,904)	(100,440)	(154,847)
Community Amenities		(515,784)	(428,208)	(526,191)
Recreation & Culture		(1,088,407)	(1,137,221)	(905,233)
Transport		(1,798,836)	(1,535,122)	(1,711,547)
Economic Services		(627,851)	(524,119)	(593,829)
Other Property and Services		(21,081)	(133,874)	(29,037)
		<u>(6,031,935)</u>	<u>(4,987,857)</u>	<u>(5,767,292)</u>
FINANCE COSTS (Refer Notes 2 & 5)				
Housing		(15,460)	(19,389)	(19,575)
		<u>(15,460)</u>	<u>(19,389)</u>	<u>(19,575)</u>
NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS				
Governance		90,959	5,985	90,959
Law, Order, Public Safety		0	0	15,948
Health		5,000	0	5,000
Education and Welfare		400,000	0	400,000
Community Amenities		1,350,000	0	1,350,000
Recreation & Culture		228,945	446,007	656,010
Transport		2,936,782	698,298	2,598,298
Economic Services		507,000	100,000	667,000
		<u>5,518,686</u>	<u>1,250,290</u>	<u>5,783,215</u>

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
PROFIT/(LOSS) ON				
DISPOSAL OF ASSETS (Refer Note 4)				
Health		(15,009)	0	(15,009)
Transport		(18,138)	0	(11,300)
Other Property and Services		0	3,636	12,273
Other Property and Services		(7,797)	0	0
		<u>(40,944)</u>	<u>3,636</u>	<u>(14,036)</u>
NET RESULT		<u>3,373,160</u>	<u>1,643,759</u>	<u>4,850,856</u>
Other Comprehensive Income		0	0	0
TOTAL COMPREHENSIVE INCOME		<u>3,373,160</u>	<u>1,643,759</u>	<u>4,850,856</u>

Notes:

All fair value adjustments relating to re-measurement of financial assets at fair value through profit or loss and (if any) changes on revaluation of non-current assets in accordance with the mandating of fair value measurement through Other Comprehensive Income, is impacted upon by external forces and is not able to be reliably estimated at the time of budget adoption.

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

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

Fair value adjustments will be assessed at the time they occur with compensating budget amendments made as necessary.

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

SHIRE OF MORAWA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,599,657	1,462,392	1,518,529
Operating Grants, Subsidies and Contributions		1,175,308	2,324,379	2,161,142
Fees and Charges		976,932	792,345	986,581
Interest Earnings		240,500	237,232	240,060
Goods and Services Tax		465,000	542,242	470,000
Other		106,032	393,574	107,348
		<u>4,563,429</u>	<u>5,752,164</u>	<u>5,483,660</u>
Payments				
Employee Costs		(1,653,447)	(1,864,316)	(1,934,331)
Materials and Contracts		(1,712,451)	(1,098,385)	(1,478,232)
Utility Charges		(378,933)	(266,242)	(316,822)
Insurance Expenses		(190,362)	(250,384)	(220,832)
Interest Expenses		(11,960)	(19,556)	(16,075)
Goods and Services Tax		(422,520)	(614,401)	(422,520)
Other		(580,609)	(86,820)	(614,757)
		<u>(4,950,282)</u>	<u>(4,200,104)</u>	<u>(5,003,569)</u>
Net Cash Provided By Operating Activities	15(b)	<u>(386,853)</u>	<u>1,552,060</u>	<u>480,091</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale	3	0	0	0
Payments for Purchase of Property, Plant & Equipment	3	(1,850,466)	(448,114)	(2,040,943)
Payments for Construction of Infrastructure	3	(6,035,993)	(4,104,922)	(9,372,369)
Advances to Community Groups		0	0	0
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		5,518,686	1,250,290	5,783,215
Proceeds from Sale of Plant & Equipment	4	77,091	16,364	69,091
Proceeds from Advances		0	0	0
Net Cash Used in Investing Activities		<u>(2,290,682)</u>	<u>(3,286,382)</u>	<u>(5,561,006)</u>
Cash Flows from Financing Activities				
Repayment of Debentures	5	(70,783)	(66,467)	(66,467)
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures	5	0	0	110,000
Net Cash Provided By (Used In) Financing Activities		<u>(70,783)</u>	<u>(66,467)</u>	<u>43,533</u>
Net Increase (Decrease) in Cash Held Cash at Beginning of Year		(2,748,318) 7,915,790	(1,800,789) 9,716,579	(5,037,382) 9,716,492
Cash and Cash Equivalents at the End of the Year	15(a)	<u>5,167,472</u>	<u>7,915,790</u>	<u>4,679,110</u>

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

SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
REVENUES				
	1,2			
Governance		99,469	9,899	99,469
General Purpose Funding		985,278	2,565,448	1,771,830
Law, Order, Public Safety		44,420	44,687	56,425
Health		13,000	4,759	13,910
Education and Welfare		448,600	62,813	451,500
Housing		122,901	48,270	101,470
Community Amenities		1,947,267	429,974	1,875,532
Recreation and Culture		264,476	524,881	741,147
Transport		3,178,920	1,117,806	3,034,974
Economic Services		716,899	259,069	949,685
Other Property and Services		92,617	150,970	101,566
		<u>7,913,847</u>	<u>5,218,576</u>	<u>9,197,508</u>
EXPENSES				
	1,2			
Governance		(499,849)	(399,809)	(487,310)
General Purpose Funding		(193,557)	(167,260)	(186,774)
Law, Order, Public Safety		(148,151)	(123,546)	(160,132)
Health		(226,949)	(204,936)	(301,800)
Education and Welfare		(769,575)	(233,322)	(725,601)
Housing		(172,364)	(119,829)	(174,422)
Community Amenities		(515,784)	(428,208)	(526,191)
Recreation & Culture		(1,088,407)	(1,137,221)	(905,233)
Transport		(1,816,974)	(1,535,122)	(1,722,847)
Economic Services		(627,851)	(524,119)	(593,829)
Other Property and Services		(28,878)	(133,874)	(29,037)
		<u>(6,088,339)</u>	<u>(5,007,246)</u>	<u>(5,813,176)</u>
Net Operating Result Excluding Rates		1,825,508	211,330	3,384,332
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	4	40,944	(3,636)	14,036
Movement in Leave Reserve (Added Back)		0	60,123	0
Movement in Deferred Pensioner Rates/ESL (non-current)		0	0	0
Movement in Employee Benefit Provisions (non-current)		0	0	0
Rounding Adjustment		0	2	0
Depreciation on Assets	2(a)	1,386,877	1,406,099	1,093,212
Capital Expenditure and Revenue				
Purchase of Investments		0	0	0
Purchase Land Held for Resale	3	0	0	0
Purchase Land and Buildings	3	(932,011)	(185,627)	(925,865)
Purchase Plant and Equipment	3	(900,105)	(246,380)	(1,090,078)
Purchase Furniture and Equipment	3	(18,350)	(16,107)	(25,000)
Purchase Infrastructure Assets - Roads	3	(1,509,960)	(2,093,972)	(2,561,561)
Purchase Infrastructure Assets - Footpaths	3	(76,650)	(3)	(36,650)
Purchase Infrastructure Assets - Drainage	3	0	0	0
Purchase Infrastructure Assets - Parks & Ovals	3	(34,374)	(4,993)	(49,641)
Purchase Infrastructure Assets - Airfields	3	(2,600,000)	0	(2,600,000)
Purchase Infrastructure Assets - Playground Equipment	3	0	0	0
Purchase Infrastructure Assets - Sewerage	3	0	(3,460)	0
Purchase Infrastructure Assets - Dams	3	0	0	0
Purchase Infrastructure Assets - Other	3	(1,815,009)	(2,002,494)	(4,124,517)
Proceeds from Disposal of Assets	4	77,091	16,364	69,091
Repayment of Debentures	5	(70,783)	(66,467)	(66,467)
Proceeds from New Debentures	5	0	0	110,000
Self-Supporting Loan Principal Income		0	0	0
Transfers to Reserves (Restricted Assets)	6	(709,511)	(1,421,118)	(444,153)
Transfers from Reserves (Restricted Assets)	6	2,387,648	3,712,290	5,184,561
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	7	1,401,033	606,653	602,176
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	7	0	1,401,033	0
Amount Required to be Raised from Rates	8	<u>(1,547,652)</u>	<u>(1,432,429)</u>	<u>(1,466,524)</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

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

The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 16 to this budget document.

(b) Actual Balances

Balances shown in this budget as 2014/15 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding Off Figures

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

(d) 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.

(e) 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.

(f) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees.

All funds to which the Council contributes are defined contribution plans.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and Cash Equivalents

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

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

(h) 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.

(i) Inventories

General

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

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

Land Held for Resale

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

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

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

(j) 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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

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

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

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

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

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

Land Under Control

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

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

Whilst they were initially recorded at cost (being fair value at the date of acquisition (deemed cost) as per AASB 116) they were revalued along with other items of Land and Buildings at 30 June 2014.

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

Revaluation

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

Transitional Arrangement

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

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

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

Land Under Roads

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

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

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

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

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

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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.

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

Capitalisation Threshold

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

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

(k) Fair Value of Assets and Liabilities

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

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

Income approach

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

Cost approach

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

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

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

(l) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(m) Impairment of Assets

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of Assets (Continued)

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

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2015.

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

(n) Trade and Other Payables

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

(o) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) Provisions

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

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

(r) Leases

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

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

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

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

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

(s) Interests in Joint Arrangements

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

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
2. REVENUES AND EXPENSES			
(a) Net Result from Ordinary Activities was arrived at after:			
(i) Charging as Expenses:			
Auditors Remuneration			
Audit Services	25,937	35,193	36,000
Other Services	17,000	0	15,000
Depreciation			
<u>By Program</u>			
Governance	16,889	16,868	2,521
Law, Order, Public Safety	35,685	35,640	47,416
Health	23,567	23,501	27,316
Education and Welfare	18,964	18,941	13,439
Housing	81,010	80,910	54,215
Community Amenities	49,253	49,191	39,906
Recreation and Culture	290,657	290,719	105,502
Transport	563,609	562,909	494,255
Economic Services	60,486	60,367	52,744
Other Property and Services	246,757	267,053	255,898
	<u>1,386,877</u>	<u>1,406,099</u>	<u>1,093,212</u>
<u>By Class</u>			
Land and Buildings	466,879	441,744	220,809
Furniture and Equipment	27,897	23,709	48,968
Plant and Equipment	262,359	284,353	280,532
Roads	508,714	508,081	454,028
Footpaths	10,498	10,485	9,913
Drainage	0	1,356	0
Parks & Ovals	7,779	7,770	7,123
Sewerage	40,806	40,755	0
Aerodromes	0	12,500	0
Dams	0	2,588	0
Playground Equipment	5,306	5,300	0
Infrastructure Other	56,639	67,458	71,839
	<u>1,386,877</u>	<u>1,406,099</u>	<u>1,093,212</u>
Borrowing Costs (Interest)			
- Debentures (refer note 5(a))	15,460	19,389	19,575
	<u>15,460</u>	<u>19,389</u>	<u>19,575</u>
Rental Charges			
- Operating Leases	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
(ii) Crediting as Revenues:			
Interest Earnings			
Investments			
- Reserve Funds	200,000	185,792	199,560
- Other Funds	10,000	22,609	10,000
Other Interest Revenue (refer note 13)	30,500	28,831	30,500
	<u>240,500</u>	<u>237,232</u>	<u>240,060</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

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

Council operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE	Includes members of Council, Civic Functions & Public Relations, Council Elections, Training/Education Objective is to provide a management and administrative structure to service Council and the community.
GENERAL PURPOSE FUNDING	Includes Rates, Loans, Investments and Grants. Objective is to manage Council's finances.
LAW, ORDER, PUBLIC SAFETY	Includes Emergency Services and Animal Control. Objective is to provide, develop and manage services in response to community needs.
HEALTH	Includes Environmental Health, Medical and Health facilities. Objective is to provide, develop and manage services in response to community needs.
EDUCATION AND WELFARE	Includes Education, Welfare and Children's Services. Objective is to provide, develop and manage services in response to community needs.
HOUSING	Includes Staff and Other Housing. Objective is to ensure quality housing and appropriate infrastructure is maintained.
COMMUNITY AMENITIES	Includes Refuse Collection, Sewerage, Cemetery, Building Control, Town Planning and Townscape. Objective is to provide, develop and manage services in response to community needs.
RECREATION AND CULTURE	Includes Pool, Halls, Library, Oval, Parks and Gardens and Recreational Facilities. Objective is to ensure the recreational and cultural needs of the community are met.
TRANSPORT	Includes Roads, Footpaths and airstrip. Objective is to effectively manage transport infrastructure.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

ECONOMIC SERVICES

Includes Tourism, Rural Services, Economic Development and Caravan Park.
Objective is to foster economic development, tourism and rural services in the district.

OTHER PROPERTY & SERVICES

Includes Machine Operating Costs, Outside Workers overheads and administrative expenses.
Objective is to pool expenses for allocation to works and services.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

3. ACQUISITION OF ASSETS	2015/16 Budget \$
The following assets are budgeted to be acquired during the year:	
<u>By Program</u>	
Governance	181,011
Health	32,500
Housing	18,000
Community Amenities	1,664,809
Recreation and Culture	847,179
Transport	4,543,610
Economic Services	547,000
Other Property and Services	52,350
	<u>7,886,459</u>
<u>By Class</u>	
Land Held for Resale	0
Land and Buildings	932,011
Plant and Equipment	900,105
Furniture and Equipment	18,350
Infrastructure Assets - Roads	1,509,960
Infrastructure Assets - Footpaths	76,650
Infrastructure Assets - Parks and Ovals	34,374
Infrastructure Assets - Airfeilds	2,600,000
Infrastructure Assets - Playground Equipment	0
Infrastructure Assets - Sewerage	0
Infrastructure Assets - Dams	0
Infrastructure Assets - Other	1,815,009
	<u>7,886,459</u>

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

- capital expenditure and income by program and asset class
- capital funding sources

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

4. DISPOSALS OF ASSETS

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

<u>By Program</u>	Net Book Value	Sale Proceeds	Profit(Loss)
	2015/16 BUDGET	2015/16 BUDGET	2015/16 BUDGET
	\$	\$	\$
Health			
(Asset 364) Ford FG G6 Sedan (Doctors)	24,100	9,091	(15,009)
Transport			
(Asset 272) Case Backhoe - P192	46,300	35,000	(11,300)
(Asset 476) Works Supervisor Vehicle	28,838	22,000	(6,838)
Other Property & Services			
(Asset 476) Ford Falcon Sedan - MAF	18,797	11,000	(7,797)
	118,035	77,091	(40,944)

<u>By Class</u>	Net Book Value	Sale Proceeds	Profit(Loss)
	2015/16 BUDGET	2015/16 BUDGET	2015/16 BUDGET
	\$	\$	\$
Plant and Equipment			
(Asset 364) Ford FG G6 Sedan (Doctors)	24,100	9,091	(15,009)
(Asset 272) Case Backhoe - P192	46,300	35,000	(11,300)
(Asset 476) Works Supervisor Vehicle	28,838	22,000	(6,838)
(Asset 476) Ford Falcon Sedan - MAF	18,797	11,000	(7,797)
	118,035	77,091	(40,944)

Summary

	2015/16 BUDGET
	\$
Profit on Asset Disposals	0
Loss on Asset Disposals	(40,944)
	<u>(40,944)</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

5. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Interest Rate %	Maturity Date	Principal 1-Jul-15	New Loans	Principal Repayments		Principal Outstanding		Interest Repayments	
					2015/16 Budget \$	2014/15 Actual \$	2015/16 Budget \$	2014/15 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Housing										
Loan 133 - GEHA House	6.65	20/5/2019	132,581	0	29,967	28,070	102,614	132,581	8,337	10,214
Loan 134 - 2 Broad Street	6.30	15/9/2018	93,943	0	21,379	20,112	72,564	93,943	6,118	7,039
Loan 135 - Staff Housing	6.20	30/5/2016	19,437	0	19,437	18,285	0	19,437	1,005	2,136
			245,961	0	70,783	66,467	175,178	245,961	15,460	19,389

All debenture repayments are to be financed by general purpose revenue with the exception of Loan 133 which is reimbursed by GEHA in the form of housing rental.

(b) New Debentures - 2015/16

Council has not budgeted to raise any new debenture funds during 2015/16.

(c) Unspent Debentures

Council had no unspent debenture funds as at 30th June 2015 nor is it expected to have unspent debenture funds as at 30th June 2016.

(d) Overdraft

Council does not have an overdraft facility as at 30 June 2015. It is not anticipated that a facility will be required during 2015/16.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
6. RESERVES			
(a) Leave Reserve			
Opening Balance	276,716	216,593	216,594
Amount Set Aside / Transfer to Reserve	63,104	60,123	59,746
Amount Used / Transfer from Reserve	0	0	(59,000)
	<u>339,820</u>	<u>276,716</u>	<u>217,340</u>
(b) Plant Reserve			
Opening Balance	840,201	679,387	679,388
Amount Set Aside / Transfer to Reserve	193,761	210,814	184,042
Amount Used / Transfer from Reserve	(381,409)	(50,000)	(388,409)
	<u>652,553</u>	<u>840,201</u>	<u>475,021</u>
(c) Building Reserve			
Opening Balance	5,153	5,034	5,034
Amount Set Aside / Transfer to Reserve	73,951	119	110
Amount Used / Transfer from Reserve	0	0	0
	<u>79,104</u>	<u>5,153</u>	<u>5,144</u>
(d) Economic Development Reserve			
Opening Balance	106,142	103,689	103,689
Amount Set Aside / Transfer to Reserve	3,109	2,453	2,272
Amount Used / Transfer from Reserve	0	0	0
	<u>109,251</u>	<u>106,142</u>	<u>105,961</u>
(e) Community Development Reserve			
Opening Balance	1,372,142	1,461,098	1,461,097
Amount Set Aside / Transfer to Reserve	40,183	34,559	47,020
Amount Used / Transfer from Reserve	(245,026)	(123,515)	(389,041)
	<u>1,167,299</u>	<u>1,372,142</u>	<u>1,119,076</u>
(f) Sewerage Reserve			
Opening Balance	121,894	77,862	77,862
Amount Set Aside / Transfer to Reserve	40,127	44,032	1,706
Amount Used / Transfer from Reserve	0	0	(49,682)
	<u>162,021</u>	<u>121,894</u>	<u>29,886</u>
(g) Unspent Grants and Contributions Reserve			
Opening Balance	982,919	2,001,459	2,001,459
Amount Set Aside / Transfer to Reserve	28,786	949,708	28,860
Amount Used / Transfer from Reserve	(926,767)	(1,968,248)	(1,992,855)
	<u>84,938</u>	<u>982,919</u>	<u>37,464</u>
(h) Morawa Community Trust Reserve			
Opening Balance	10,944	18,482	24,730
Amount Set Aside / Transfer to Reserve	321	462	542
Amount Used / Transfer from Reserve	(10,100)	(8,000)	(16,196)
	<u>1,165</u>	<u>10,944</u>	<u>9,076</u>
(i) Morawa Community Future Funds Reserve			
Opening Balance	2,155,811	2,113,351	2,113,351
Amount Set Aside / Transfer to Reserve	63,136	49,987	66,312
Amount Used / Transfer from Reserve	(53,666)	(7,527)	0
	<u>2,165,281</u>	<u>2,155,811</u>	<u>2,179,663</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
6. RESERVES (Continued)			
(j) Refuse Transfer Station Reserve			
Opening Balance	196,097	191,566	191,567
Amount Set Aside / Transfer to Reserve	5,743	4,531	4,198
Amount Used / Transfer from Reserve	(95,000)	0	(95,000)
	<u>106,840</u>	<u>196,097</u>	<u>100,765</u>
(k) Aged Care Units Reserve			
Opening Balance	8,867	8,662	8,662
Amount Set Aside / Transfer to Reserve	260	205	190
Amount Used / Transfer from Reserve	0	0	0
	<u>9,127</u>	<u>8,867</u>	<u>8,852</u>
(l) ST-N/Midlands Solar Thermal Power Reserve			
Opening Balance	541,001	528,654	528,654
Amount Set Aside / Transfer to Reserve	15,844	12,347	11,585
Amount Used / Transfer from Reserve	(500,000)	0	(500,000)
	<u>56,845</u>	<u>541,001</u>	<u>40,239</u>
(m) ST-Morawa Revitalisation Reserve			
Opening Balance	170,681	1,694,377	1,694,377
Amount Set Aside / Transfer to Reserve	4,999	31,304	17,131
Amount Used / Transfer from Reserve	(175,680)	(1,555,000)	(1,694,378)
	<u>0</u>	<u>170,681</u>	<u>17,130</u>
(n) Business Units			
Opening Balance	40,517	20,043	20,043
Amount Set Aside / Transfer to Reserve	21,187	20,474	20,439
Amount Used / Transfer from Reserve	0	0	0
	<u>61,704</u>	<u>40,517</u>	<u>40,482</u>
(o) Legal Fees Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	15,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>15,000</u>	<u>0</u>	<u>0</u>
(p) Road Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	140,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>140,000</u>	<u>0</u>	<u>0</u>
Total Reserves	<u>5,150,948</u>	<u>6,829,085</u>	<u>4,386,099</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
6. RESERVES (Continued)			
Summary of Transfers To Cash Backed Reserves			
Transfers to Reserves			
Leave Reserve	63,104	60,123	59,746
Plant Reserve	193,761	210,814	184,042
Building Reserve	73,951	119	110
Economic Development Reserve	3,109	2,453	2,272
Community Development Reserve	40,183	34,559	47,020
Sewerage Reserve	40,127	44,032	1,706
Unspent Grants and Contributions Reserve	28,786	949,708	28,860
Morawa Community Trust Reserve	321	462	542
Morawa Community Future Funds Reserve	63,136	49,987	66,312
Refuse Transfer Station Reserve	5,743	4,531	4,198
Aged Care Units Reserve	260	205	190
ST-N/Midlands Solar Thermal Power Reserve	15,844	12,347	11,585
ST-Morawa Revitalisation Reserve	4,999	31,304	17,131
Business Units Reserve	21,187	20,474	20,439
Legal Fees Reserve	15,000	0	0
Road Reserve	140,000	0	0
	<u>709,511</u>	<u>1,421,118</u>	<u>444,153</u>
Transfers from Reserves			
Leave Reserve	0	0	(59,000)
Plant Reserve	(381,409)	(50,000)	(388,409)
Building Reserve	0	0	0
Economic Development Reserve	0	0	0
Community Development Reserve	(245,026)	(123,515)	(389,041)
Sewerage Reserve	0	0	(49,682)
Unspent Grants and Contributions Reserve	(926,767)	(1,968,248)	(1,992,855)
Morawa Community Trust Reserve	(10,100)	(8,000)	(16,196)
Morawa Community Future Funds Reserve	(53,666)	(7,527)	0
Refuse Transfer Station Reserve	(95,000)	0	(95,000)
Aged Care Units Reserve	0	0	0
ST-N/Midlands Solar Thermal Power Reserve	(500,000)	0	(500,000)
ST-Morawa Revitalisation Reserve	(175,680)	(1,555,000)	(1,694,378)
Business Units Reserve	0	0	0
Legal Fees Reserve	0	0	0
Road Reserve	0	0	0
	<u>(2,387,648)</u>	<u>(3,712,290)</u>	<u>(5,184,561)</u>
Total Transfer to/(from) Reserves	<u>(1,678,137)</u>	<u>(2,291,172)</u>	<u>(4,740,408)</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

6. RESERVES (Continued)

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

Leave Reserve

- to be used to fund leave requirements.

Plant Reserve

- to be used to upgrade, replace or purchase new plant and equipment.

Building Reserve

- to be used to refurbish, replace, extend or establish Council owned buildings.

Economic Development Reserve

- to be used to create economic development initiatives in the local community.

Community Development Reserve

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

Sewerage Reserve

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

Unspent Grants and Contributions Reserve

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

Morawa Community Trust Reserve

- to be used for Morawa Community Projects

Morawa Community Future Funds Reserve

- to be used to provide an ongoing conduit for benefits to the people and environment of the Morawa Shire through the Sinosteel Midwest Corporation Morawa Future Fund Foundation Memorandum

Refuse Transfer Station Reserve

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

Aged Persons Units Reserve

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

ST - N/Midlands Solar Thermal Power Reserve

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

ST-Morawa Revitalisation Reserve

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

Business Units Reserve

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

Legal Fees Reserve

- to be utilised for unforeseen Legal Fees.

Road Reserve

- to be utilised for future Road Construction and Maintenance.

The above Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2015/16 Budget \$	2014/15 Est. Actual \$
7. NET CURRENT ASSETS			
Composition of Estimated Net Current Asset Position			
CURRENT ASSETS			
Cash - Unrestricted	15(a)	16,524	1,086,705
Cash - Restricted Unspent Grants	15(a)	0	0
Cash - Restricted Unspent Loans	15(a)	0	0
Cash - Restricted Reserves		5,150,948	6,829,085
Rates - Current		196,616	248,621
Sundry Debtors		274,384	375,943
GST Receivable		63,172	78,172
Accrued Income/Payments in Advance		14,276	16,328
Provision For Doubtful Debts		(2,632)	(2,632)
Other Current Debtors		27	27
Inventories		10,855	12,905
		<u>5,724,170</u>	<u>8,645,154</u>
LESS: CURRENT LIABILITIES			
Sundry Creditors		(260,321)	(119,308)
Income Received in Advance		(111,331)	(111,331)
GST Payable		(77,273)	(49,793)
Payroll Creditors		0	0
Accued Expenditure		0	0
Other Payables		(12,301)	(9,512)
Withholding Tax Payable		0	0
PAYG Payable		(38,110)	(32,110)
Accrued Interest on Debentures		(10,364)	(6,864)
Accrued Salaries and Wages		(63,522)	(55,522)
Current Employee Benefits Provision		(257,312)	(307,312)
Current Loan Liability		(70,783)	(70,783)
		<u>(901,317)</u>	<u>(762,535)</u>
NET CURRENT ASSET POSITION		4,822,853	7,882,619
Less: Cash - Restricted Reserves	15(a)	(5,150,948)	(6,829,085)
Less: Cash - Restricted Municipal	15(a)	0	0
Add Back : Liabilities Supported by Reserves - Lesser of Leave Provision and Leave Reserve		257,312	276,716
Add Back : Current Loan Liability		<u>70,783</u>	<u>70,783</u>
ESTIMATED SURPLUS/(DEFICIENCY) C/FWD		<u><u>0</u></u>	<u><u>1,401,033</u></u>

The estimated surplus/(deficiency) c/fwd in the 2014/15 actual column represents the surplus (deficit) brought forward as at 1 July 2015.

The estimated surplus/(deficiency) c/fwd in the 2015/16 budget column represents the surplus (deficit) carried forward as at 30 June 2015.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2016

8. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	2015/16 Budgeted Rate Revenue \$	2015/16 Budgeted Interim Rates \$	2015/16 Budgeted Back Rates \$	2015/16 Budgeted Total Revenue \$	2014/15 Actual \$
Differential General Rate								
GRV Residential/Commercial	0.071988	267	2,899,072	208,698	0	0	208,698	195,841
UV Rural	0.021917	208	56,190,000	1,231,525	0	0	1,231,525	1,167,710
UV Mining	0.289681	18	474,320	137,401	0	0	137,401	130,619
Sub-Totals		493	59,563,392	1,577,624	0	0	1,577,624	1,494,170
Minimum Rates								
GRV Residential/Commercial	271	50	40,840	13,550	0	0	13,550	13,878
UV Rural	271	6	48,000	1,626	0	0	1,626	1,799
UV Mining	656	13	13,603	8,528	0	0	8,528	7,464
Sub-Totals		69	102,443	23,704	0	0	23,704	23,141
Ex-Gratia Rates							1,601,328	1,517,311
Discounts							5,624	5,331
Rates Write-offs							(58,000)	(56,937)
Movement in Excess Rates							(1,300)	(6,323)
Total General Rates							0	(26,953)
Specified Area Rates (Note 9)							1,547,652	1,432,429
Total Rates (Nature & Type)							1,547,652	1,432,429

All land except exempt land in the Shire of Morawa is rated according to its Gross Rental Value (GRV) in townships or Unimproved Value (UV) in the remainder of the Shire.

The general rates detailed above for the 2015/16 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

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

Note: Rate in the \$ and minimums for UV Mining and UV Rural

Council resolved at the August 2015 Ordinary Council meeting to impose a UV Mining rate in the \$ of 0.289681 and a UV Rural rate in the \$ of 0.021917. Council also resolved to impose a minimum rate of \$656.00 for UV Mining and \$271.00 for UV Rural. Ministerial approval was sought for these rates in the \$.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

9. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

No Specified Area Rates will be levied in 2015/16.

10. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire of Morawa does not intend to raise any Service Charges during 2015/16.

11. FEES & CHARGES REVENUE	2015/16 Budget \$	2014/15 Actual \$
Governance	3,010	27
General Purpose Funding	4,020	2,006
Law, Order, Public Safety	1,945	2,047
Health	0	350
Education and Welfare	2,000	3,303
Housing	122,541	45,778
Community Amenities	512,267	429,520
Recreation & Culture	35,531	78,659
Transport	26,663	7,211
Economic Services	209,844	158,563
Other Property & Services	29,000	56,962
	<u>946,821</u>	<u>784,426</u>

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

A discount of 5.0% of the current rates levied (excluding Rubbish and ESL) will be offered to rate payers whose payment of the full amount owing, including arrears, and service charges is received on or before Tuesday 29th September, 2015 or 35 days after the date of service appearing on the rate notice, whichever is the later.

The discount will not apply to interim rates after the billing date. The total value of the discount is estimated to be \$58,000.

It is estimated that \$1,300 will be written off in rates.

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

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

An interest rate of 11% will be charged on all rate payments which are late. It is estimated this will generate income of \$28,000. Three separate payment option plans will be available to ratepayers for payment of their rates.

The Shire of Morawa has a Financial Hardship Policy for Water Services/Rateable land

The Financial Hardship Policy outlines how the Shire of Morawa will assist a residential customer who cannot pay a rate notice because of financial hardship

Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before Tuesday 29th September, 2015 or 35 days after the date of service appearing on the rates notice, whichever is the later.

See Note 12 for discount provisions under this option

Option 2 (Two Instalments)

First instalment to be received on or before Tuesday 29th September, 2015 or 35 days after the date of service appearing on the rate notice, whichever is the later. This payment is to include all arrears and half of the current rates and service charges.

The second and final instalment is to be made by Friday 29th January, 2016.

Option 3 (Four Instalments)

First instalment to be received on or before Tuesday 29th September, 2015 or 35 days after the date of service appearing on the rate notice, whichever is the later. This payment is to include all arrears and one quarter of the current rates and service charges. Second, third and fourth instalments are to be made at two monthly intervals thereafter, being Tuesday 1st December, 2015; Friday 29th January, 2016 and Friday 25th March, 2016.

Costs of Instalment Options

The cost of the instalment plans will comprise if simple interest of 5.5% per annum, calculated daily from the date the first instalment is due, together with an administration fee of \$5.00 for each instalment notice. (ie. \$5.00 for Option 2 and \$15.00 for Option 3).

The total revenue from the imposition of the administration charge is estimated at \$1,000

	Interest Rate %	Admin Charge \$	Budgeted Revenue \$	Actual Revenue \$
Interest on Unpaid Rates	11		28,000	26,904
Interest on Instalments Plan	5.5		2,500	1,927
Charges on Instalment Plan		5	1,500	745

14. ELECTED MEMBERS REMUNERATION

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

	2015/16 Budget \$	2014/15 Actual \$
Meeting Fees	64,000	56,000
President's Allowance	17,000	17,000
Deputy President's Allowance	4,250	4,250
Travelling Expenses	200	1,311
Telecommunications Allowance	0	0
	<u>85,450</u>	<u>78,561</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2015/16 Budget \$	2014/15 Est. Actual \$	2014/15 Budget \$
Cash - Unrestricted	16,524	1,086,705	293,011
Cash - Restricted	5,150,948	6,829,085	4,386,099
	<u>5,167,472</u>	<u>7,915,790</u>	<u>4,679,110</u>

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

Leave Reserve	339,820	276,716	217,340
Plant Reserve	652,553	840,201	475,021
Building Reserve	79,104	5,153	5,144
Economic Development Reserve	109,251	106,142	105,961
Community Development Reserve	1,167,299	1,372,142	1,119,076
Sewerage Reserve	162,021	121,894	29,886
Unspent Grants and Contributions Reserve	84,938	982,919	37,464
Morawa Community Trust Reserve	1,165	10,944	9,076
Morawa Community Future Funds Reserve	2,165,281	2,155,811	2,179,663
Refuse Transfer Station Reserve	106,840	196,097	100,765
Aged Care Units Reserve	9,127	8,867	8,852
ST-N/Midlands Solar Thermal Power	56,845	541,001	40,239
ST-Morawa Revitalisation Reserve	0	170,681	17,130
Business Units Reserve	61,704	40,517	40,482
Legal Fees Reserve	15,000	0	0
Road Reserve	140,000	0	0
Unspent Grants	0	0	0
Unspent Loans	0	0	0
	<u>5,150,948</u>	<u>6,829,085</u>	<u>4,386,099</u>

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

Net Result	3,373,160	1,643,759	4,850,856
Depreciation	1,386,877	1,406,099	1,093,212
(Profit)/Loss on Sale of Asset	40,944	(3,636)	14,036
(Increase)/Decrease in Receivables	170,616	(262,031)	165,116
(Increase)/Decrease in Inventories	2,050	0	2,050
Increase/(Decrease) in Payables	208,186	18,159	188,036
Increase/(Decrease) in Employee Provisions	(50,000)	0	(50,000)
Grants/Contributions for the Development of Assets	(5,518,686)	(1,250,290)	(5,783,215)
Net Cash from Operating Activities	<u>(386,853)</u>	<u>1,552,060</u>	<u>480,091</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

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

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0	0
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	20,000	14,000	24,000
Credit Card Balance at Balance Date	0	(4,606)	0
Total Amount of Credit Unused	<u>20,000</u>	<u>9,394</u>	<u>24,000</u>

Loan Facilities

Loan Facilities in use at Balance Date	<u>175,178</u>	<u>245,961</u>	<u>355,961</u>
Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>	<u>0</u>

SHIRE OF MORAWA

NOTES TO AND FORMING PART OF THE BUDGET

FOR THE YEAR ENDED 30TH JUNE 2016

16. TRUST FUNDS

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

Detail	Balance 1-Jul-15 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-16 \$
Housing Bonds	0	1,040	(1,040)	0
Child Care Bonds	0	0	0	0
Bonds Hall/Rec Centre Hire	0	0	0	0
Extractive Industries Licence	0	0	0	0
Council Nominations	0	320	(320)	0
Youth Centre	865	8,000	(8,865)	0
Bill Johnson Unit 1 Bond	0	0	0	0
Haulmore Trailers Land Dep	4,641	0	0	4,641
Social Club Payments	0	0	0	0
Local Drug Action Group	560	0	(200)	360
BCITF/BRB Training Levy	2,886	7,800	(10,686)	0
DPI Licensing	0	428,000	(428,000)	0
Morawa Oval Function Centre	1,762	689	(2,451)	0
	<u>10,714</u>			<u>5,001</u>

17. MAJOR LAND TRANSACTIONS

It is not anticipated any Major Land Transactions will occur in 2015/16.

18. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2015/16.