

SHIRE OF MORAWA
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Rates	22	1,543,760	1,466,524	1,289,439
Operating Grants, Subsidies and Contributions	28	2,604,667	2,098,142	961,530
Fees and Charges	27	770,523	956,470	873,885
Interest Earnings	2(a)	230,181	240,060	253,900
Other Revenue	2(a)	378,659	107,348	407,789
		<u>5,527,790</u>	<u>4,868,544</u>	<u>3,786,543</u>
Expenses				
Employee Costs		(1,822,047)	(1,942,185)	(1,691,207)
Materials and Contracts		(3,941,305)	(1,565,490)	(1,281,845)
Utility Charges		(266,242)	(328,027)	(335,684)
Depreciation on Non-Current Assets	2(a)	(1,406,099)	(1,093,212)	(1,363,965)
Interest Expenses	2(a)	(18,262)	(19,575)	(22,402)
Insurance Expenses		(250,384)	(220,832)	(243,721)
Other Expenditure		(109,250)	(617,546)	(103,890)
		<u>(7,813,589)</u>	<u>(5,786,867)</u>	<u>(5,042,714)</u>
		(2,285,799)	(918,323)	(1,256,171)
Non-Operating Grants, Subsidies and Contributions	28	1,250,290	5,783,215	4,095,091
Fair value adjustments to financial assets at fair value through profit or loss		0	0	(18,667)
Profit on Asset Disposals	20	3,636	12,273	14,842
Loss on Asset Disposal	20	(101,325)	(26,309)	(141,387)
		<u>(1,133,198)</u>	<u>4,850,856</u>	<u>2,693,708</u>
Net Result				
Other Comprehensive Income				
Items not reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets	12	20,414,411	0	16,288,250
		<u>20,414,411</u>	<u>0</u>	<u>16,288,250</u>
		<u>19,281,213</u>	<u>4,850,856</u>	<u>18,981,958</u>

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

SHIRE OF MORAWA
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Governance		3,914	8,510	15,946
General Purpose Funding		4,102,157	3,238,354	2,318,384
Law, Order, Public Safety		45,841	40,477	45,722
Health		4,759	8,910	9,533
Education and Welfare		62,813	51,500	18,710
Housing		48,270	101,470	50,675
Community Amenities		430,274	525,532	432,951
Recreation and Culture		79,924	85,137	116,190
Transport		457,461	436,676	375,358
Economic Services		181,693	282,685	270,711
Other Property and Services		110,684	89,293	132,363
		<u>5,527,790</u>	<u>4,868,544</u>	<u>3,786,543</u>
Expenses				
Governance		(427,808)	(487,310)	(445,701)
General Purpose Funding		(178,137)	(186,774)	(216,542)
Law, Order, Public Safety		(125,997)	(160,132)	(166,376)
Health		(205,675)	(286,791)	(211,764)
Education and Welfare		(233,474)	(725,601)	(248,473)
Housing		(94,460)	(154,847)	(54,056)
Community Amenities		(439,885)	(526,191)	(594,886)
Recreation and Culture		(1,213,729)	(905,233)	(968,776)
Transport		(1,667,605)	(1,711,547)	(1,571,813)
Economic Services		(3,311,506)	(593,829)	(590,656)
Other Property and Services		102,949	(29,037)	30,064
		<u>(7,795,327)</u>	<u>(5,767,292)</u>	<u>(5,038,979)</u>
Finance Costs				
Housing		(18,262)	(19,575)	(22,402)
	2(a)	<u>(18,262)</u>	<u>(19,575)</u>	<u>(22,402)</u>
Non-Operating Grants, Subsidies and Contributions				
Governance		5,985	90,959	0
Law, Order, Public Safety		0	15,948	0
Health		0	5,000	0
Education and Welfare		0	400,000	0
Community Amenities		0	1,350,000	46,200
Recreation & Culture		446,007	656,010	813,543
Transport		698,298	2,598,298	765,329
Economic Services		100,000	667,000	2,470,019
		<u>1,250,290</u>	<u>5,783,215</u>	<u>4,095,091</u>
Profit/(Loss) on Disposal of Assets				
Law, Order, Public Safety		0	0	(47,905)
Health		0	(15,009)	0
Housing		0	0	(39,451)
Community Amenities		0	0	(21,409)
Transport		(44,574)	(11,300)	(16,411)
Economic Services		0	0	12,500
Economic Services		0	0	(3,494)
Other Property and Services		3,636	12,273	2,342
Other Property and Services		(56,751)	0	(12,717)
		<u>(97,689)</u>	<u>(14,036)</u>	<u>(126,545)</u>
Net Result		<u>(1,133,198)</u>	<u>4,850,856</u>	<u>2,693,708</u>
Other Comprehensive Income				
Items not reclassified subsequently to profit or loss				
Changes on revaluation of non-current assets				
	12	20,414,411	0	16,288,250
Total Other Comprehensive Income		<u>20,414,411</u>	<u>0</u>	<u>16,288,250</u>
Total Comprehensive Income		<u>19,281,213</u>	<u>4,850,856</u>	<u>18,981,958</u>

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

**SHIRE OF MORAWA
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015**

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	7,914,726	9,716,579
Trade and Other Receivables	4	651,232	343,097
Inventories	5	10,124	12,904
TOTAL CURRENT ASSETS		<u>8,576,082</u>	<u>10,072,580</u>
NON-CURRENT ASSETS			
Other Receivables	4	11,064	5,302
Property, Plant and Equipment	6	26,804,568	27,180,583
Infrastructure	7	42,014,172	20,983,301
TOTAL NON-CURRENT ASSETS		<u>68,829,804</u>	<u>48,169,186</u>
TOTAL ASSETS		<u>77,405,886</u>	<u>58,241,766</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	223,063	254,949
Long Term Borrowings	9	70,783	66,467
Provisions	10	299,061	307,312
TOTAL CURRENT LIABILITIES		<u>592,907</u>	<u>628,728</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	175,178	245,961
Provisions	10	30,834	41,323
TOTAL NON-CURRENT LIABILITIES		<u>206,012</u>	<u>287,284</u>
TOTAL LIABILITIES		<u>798,919</u>	<u>916,012</u>
NET ASSETS		<u>76,606,967</u>	<u>57,325,754</u>
EQUITY			
Retained Surplus		32,782,099	31,622,984
Reserves - Cash Backed	11	6,827,946	9,120,259
Revaluation Surplus	12	36,996,922	16,582,511
TOTAL EQUITY		<u>76,606,967</u>	<u>57,325,754</u>

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

**SHIRE OF MORAWA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2013		28,613,269	9,436,266	294,261	38,343,796
Comprehensive Income					
Net Result		2,693,708	0	0	2,693,708
Changes on Revaluation of Non-Current Assets	12	0	0	16,288,250	16,288,250
Total Comprehensive Income		<u>2,693,708</u>	<u>0</u>	<u>16,288,250</u>	<u>18,981,958</u>
Reserve Transfers		316,007	(316,007)	0	0
Balance as at 30 June 2014		<u>31,622,984</u>	<u>9,120,259</u>	<u>16,582,511</u>	<u>57,325,754</u>
Comprehensive Income					
Net Result		(1,133,198)	0	0	(1,133,198)
Changes on Revaluation of Non-Current Assets	12	0	0	20,414,411	20,414,411
Total Other Comprehensive Income		<u>(1,133,198)</u>	<u>0</u>	<u>20,414,411</u>	<u>19,281,213</u>
Reserve Transfers		2,292,313	(2,292,313)	0	0
Balance as at 30 June 2015		<u><u>32,782,099</u></u>	<u><u>6,827,946</u></u>	<u><u>36,996,922</u></u>	<u><u>76,606,967</u></u>

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 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,475,384	1,518,529	1,381,059
Operating Grants, Subsidies and Contributions		2,362,331	2,161,142	912,719
Fees and Charges		778,442	986,581	948,500
Interest Earnings		230,181	240,060	253,900
Goods and Services Tax		449,559	470,000	769,964
Other Revenue		400,566	107,348	389,915
		<u>5,696,463</u>	<u>5,483,660</u>	<u>4,656,057</u>
Payments				
Employee Costs		(1,839,115)	(1,934,331)	(1,620,248)
Materials and Contracts		(3,932,278)	(1,478,232)	(1,484,072)
Utility Charges		(266,242)	(316,822)	(335,684)
Insurance Expenses		(250,384)	(220,832)	(243,721)
Interest expenses		(19,556)	(16,075)	(23,608)
Goods and Services Tax		(521,081)	(422,520)	(645,473)
Other Expenditure		(109,250)	(614,757)	(103,890)
		<u>(6,937,906)</u>	<u>(5,003,569)</u>	<u>(4,456,696)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>(1,241,443)</u>	<u>480,091</u>	<u>199,361</u>
Cash Flows from Investing Activities				
Payments for Construction of Work in Progress		0	0	0
Payments for Purchase of Property, Plant & Equipment	6(b)	(432,910)	(2,040,943)	(2,292,612)
Payments for Construction of Infrastructure	7(b)	(1,327,686)	(9,372,369)	(3,163,976)
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		1,250,290	5,783,215	4,099,174
Proceeds from Sale of Plant & Equipmer	20	16,363	69,091	83,182
Net Cash Provided By (Used In) Investing Activities		<u>(493,943)</u>	<u>(5,561,006)</u>	<u>(1,274,232)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(66,467)	(66,467)	(62,414)
Net Cash Provided By (Used In) Financing Activities		<u>(66,467)</u>	<u>43,533</u>	<u>(62,414)</u>
Net Increase (Decrease) in Cash Held		(1,801,853)	(5,037,382)	(1,137,285)
Cash at Beginning of Year		9,716,579	9,716,492	10,853,864
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>7,914,726</u></u>	<u><u>4,679,110</u></u>	<u><u>9,716,579</u></u>

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

**SHIRE OF MORAWA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		9,899	99,469	15,946
General Purpose Funding		2,558,397	1,771,830	1,028,945
Law, Order, Public Safety		45,841	56,425	45,722
Health		4,759	13,910	9,533
Education and Welfare		62,813	451,500	18,710
Housing		48,270	101,470	50,675
Community Amenities		430,274	1,875,532	479,151
Recreation and Culture		525,931	741,147	929,733
Transport		1,155,759	3,034,974	1,140,687
Economic Services		281,693	949,685	2,753,230
Other Property and Services		114,320	101,566	134,705
		<u>5,237,956</u>	<u>9,197,508</u>	<u>6,607,037</u>
Expenses				
Governance		(427,808)	(487,310)	(445,701)
General Purpose Funding		(178,137)	(186,774)	(216,542)
Law, Order, Public Safety		(125,997)	(160,132)	(214,281)
Health		(205,675)	(301,800)	(211,764)
Education and Welfare		(233,474)	(725,601)	(248,473)
Housing		(112,722)	(174,422)	(115,909)
Community Amenities		(439,885)	(526,191)	(616,295)
Recreation and Culture		(1,213,729)	(905,233)	(968,776)
Transport		(1,712,179)	(1,722,847)	(1,588,224)
Economic Services		(3,311,506)	(593,829)	(594,150)
Other Property and Services		46,198	(29,037)	17,347
		<u>(7,914,914)</u>	<u>(5,813,176)</u>	<u>(5,202,768)</u>
Net Result Excluding Rates		(2,676,958)	3,384,332	1,404,269
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Loss Upon Revaluation of Non-Current Assets		0	0	18,667
(Profit)/Loss on Asset Disposals	20	97,689	14,036	126,545
Movement in Deferred Pensioner Rates (Non-Current)		(5,762)	0	5,943
Movement in Employee Benefit Provisions (Non-Current)		(10,489)	0	18,069
Movement in LSL Reserve (Added Back)		60,122	0	88,732
Depreciation and Amortisation on Assets	2(a)	1,406,099	1,093,212	1,363,965
Capital Expenditure and Revenue				
Purchase Land and Buildings		(175,744)	(925,865)	(2,038,676)
Purchase Plant and Equipment		(246,379)	(1,090,078)	(243,151)
Purchase Furniture and Equipment		(10,787)	(25,000)	(10,785)
Purchase Infrastructure Assets - Roads		(902,448)	(2,561,561)	(1,164,347)
Purchase Infrastructure Assets - Footpaths		0	(36,650)	(29,254)
Purchase Infrastructure Assets - Airfields		0	(2,600,000)	0
Purchase Infrastructure Assets - Parks & Ovals		0	(49,641)	(278,870)
Purchase Infrastructure Assets - Sewerage		0	0	(51,490)
Purchase Infrastructure Assets - Other		(425,238)	(4,124,517)	(1,640,015)
Proceeds from Disposal of Assets	20	16,363	69,091	83,182
Repayment of Debentures	21	(66,467)	(66,467)	(62,414)
Proceeds from New Debentures	21	0	110,000	0
Transfers to Reserves (Restricted Assets)	11	(1,419,977)	(444,153)	(2,598,316)
Transfers from Reserves (Restricted Assets)	11	3,712,290	5,184,561	2,914,323
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	606,654	602,176	1,410,838
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	1,502,728	0	606,654
Total Amount Raised from General Rate	22(a)	<u>(1,543,760)</u>	<u>(1,466,524)</u>	<u>(1,289,439)</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. 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 also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

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

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent revenue experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Council determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and infrastructure. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 financial report.

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

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

(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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 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.

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 financial report as necessary.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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.

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. 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:

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

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

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

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

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

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

Capitalisation Threshold

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

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 (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The 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 FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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 (i.e. trade date accounting is adopted).

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council 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 non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the 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.

(i) 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 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.

(j) 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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 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 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.

(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 Council 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 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.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Council 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 Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council 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 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 16.

(q) Revenue

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.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors

Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(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 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.

(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 Council 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.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

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 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	September 2012	1 January 2018	Nil - The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Shire (refer (i) above).
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	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.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

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 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments - 1 January 2015]	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Shire.
(v) 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	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. 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.
(vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	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. 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.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

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 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>
(viii) 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.</p>
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	<p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn.</p> <p>It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.</p>

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x) 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	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. 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.

Notes:

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

(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:

AASB 2011-7
AASB 2012-3
AASB 2013-3
AASB 2013-8
AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the Shire as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES	2015	2014
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
During the year the following fees were paid or payable for services provided by the following auditors' of the Shire:		
<i>UHY Haines Norton</i>		
Audit and review of Financial Report	16,990	31,235
Other Services	10,800	3,100
<i>RSM Bird Cameron</i>		
Audit and review of Financial Report	7,403	0
Other Services	0	0
Depreciation		
Non-specialised Buildings	78,849	78,871
Specialised Buildings	362,895	348,132
Furniture and Equipment	23,709	34,708
Plant and Equipment	284,353	274,297
Roads	508,081	478,972
Footpaths	10,485	9,900
Airfields	12,500	12,500
Parks & Ovals	7,770	7,770
Drainage	1,356	2,712
Playground Equipment	5,300	5,300
Sewerage	40,755	40,755
Dams	2,588	2,589
Other Infrastructure	67,458	67,459
	<u>1,406,099</u>	<u>1,363,965</u>
Interest Expenses (Finance Costs)		
Debentures (<i>refer Note 21(a)</i>)	18,262	22,402
	<u>18,262</u>	<u>22,402</u>
(ii) Crediting as Revenue:		
Other Revenue		
Reimbursements and Recoveries	325,631	289,694
Other	53,028	118,095
	<u>378,659</u>	<u>407,789</u>
	2015	2015
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	178,741	199,560
- Other Funds	22,609	10,000
Other Interest Revenue (<i>refer note 26</i>)	28,831	26,456
	<u>230,181</u>	<u>240,060</u>
	<u>230,181</u>	<u>253,900</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of Morawa is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1-Jul-13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance ⁽¹⁾ 30-Jun-14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance 30-Jun-15 \$
Roads to Recovery - Auslink	Transport Economic Services	0	0	0	0	270,965	(220,291)	50,674
Morawa Community Trust	Other	25,211	0	(16,248)	8,963 *	1,981	0	10,944 *
Water Corporation - Revegetation Funds	Property & Services	10,000	0	0	10,000 *	0	0	10,000 *
Midwest Sinosteel - Morawa Future Funds	Economic Services	925,000	0	0	925,000 *	0	0	925,000 *
Midwest Corp - Road Funds Royalties For Regions 11/12	Economic Services	244,234	0	0	244,234 *	0	0	244,234 *
Local - Refuse Transfer Station	Community Amenities	300,854	0	(129,971)	170,883 *	25,214	0	196,097 *
Mid West Investment Plan - Morawa Sports Ground	Recreation & Culture	348,910	0	(348,910)	0	0	0	0
Karara Mining - Art Show & Exhibition	Recreation & Culture	0	20,000	0	20,000	0	(20,000)	0
Super Towns - Implementation	Economic Services	3,073	0	(3,073)	0	0	0	0
Super Towns - North Midlands Solar Thermal Power Project	Economic Services	515,742	12,912	0	528,654 *	11,482	0	540,136 *
RDL - Super Towns - Morawa Revitalisation	Economic Services	2,685,039	54,338	(1,045,000)	1,694,377 *	31,030	(1,217,563)	507,844 *
Super Towns - Morawa Revitalisation	Economic Services	81,931	0	(81,931)	0	0	0	0
MWIP - Super Towns - Morawa Revitalisation	Economic Services	0	2,436,000	(455,145)	1,980,855	112,607	(1,980,855)	112,607 *
Dept of Local Government - Cat Act Implementation	Law, Oder & Public Safety	3,590	0	(3,590)	0	0	0	0

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1-Jul-13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance ⁽¹⁾ 30-Jun-14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance 30-Jun-15 \$
Morawa Football Club - Morawa Sports Ground	Recreation & Culture	139,586	0	(139,586)	0	0	0	0
Landcorp - Sponsorship of School Band	Education & Welfare	2,000	0	(2,000)	0	0	0	0
Dept of Planning - Local Planning Strategy	Community Amenities	80,063	0	(61,783)	18,280	0	(13,360)	4,920
Dept of Planning - Urban Design Funding	Community Amenities	49,400	0	(44,213)	5,187	0	(4,983)	204
Dept of Planning - Omnibus Scheme Amendments	Community Amenities	40,245	0	(25,063)	15,182	0	(12,603)	2,579
Lotterywest - Council Chambers	Governance	0	0	0	0	5,985	0	5,985
Dept of Culture & Arts - Cloud Chasing	Education & Welfare	0	0	0	0	27,275	0	27,275 *
Royalties For Regions 12/13 Local - Swimming Pool	Recreation & Culture	0	0	0	0	358,578	(190,973)	167,605
Dept of Sport & Recreation - Swimming Pool	Recreation & Culture	0	0	0	0	57,429	0	57,429
Total		<u>5,454,878</u>	<u>2,523,250</u>	<u>(2,356,513)</u>	<u>5,621,615</u>	<u>902,546</u>	<u>(3,660,628)</u>	<u>2,863,533</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Notes:

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

Disclosed as follows:

	2015	2014
	\$	\$
- Restricted Cash (Note 3)	626,832	58,649
- Unspent Grants and Contributions Reserve (Note 11)	149,882	1,990,855
- Morawa Community Trust Reserve (Note 11)	10,944	8,963
- Morawa Community Future Funds Reserve (Note 11)	1,169,234	1,169,234
- Refuse Transfer Station Reserve (Note 11)	196,097	170,883
- Super Towns - North Midlands Solar Thermal Power Reserve (Note 11)	540,136	528,654
- Super Towns - Morawa Revitalisation Reserve (Note 11)	170,408	1,694,377
	<u>2,863,533</u>	<u>5,621,615</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	550	550
Cash at Bank - Municipal	1,086,230	595,770
Restricted - Reserves	<u>6,827,946</u>	<u>9,120,259</u>
	<u><u>7,914,726</u></u>	<u><u>9,716,579</u></u>
Cash at Bank - Municipal		
Unrestricted Cash	459,398	537,121
Restricted Cash - Unspent Grants (refer to Note 2(c))	<u>626,832</u>	<u>58,649</u>
	<u><u>1,086,230</u></u>	<u><u>595,770</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Long Service Leave Reserve	276,716	216,594
Plant Reserve	840,201	679,388
Building Reserve	5,153	5,034
Economic Development Reserve	106,142	103,689
Unspent Grants and Contributions Reserve	982,918	2,001,459
Community Development Reserve	1,372,142	1,461,097
Morawa Community Trust Reserve	10,944	18,483
Morawa Community Future Funds Reserve	2,155,811	2,113,351
Sewerage Reserve	121,894	77,862
Refuse Transfer Station Reserve	196,097	191,566
Aged Care Units Reserve	8,867	8,662
Business Units Reserve	40,517	20,043
Super Towns - North Midlands Solar Thermal Power Reserve #	540,136	528,654
Super Towns - Morawa Revitalisation Reserve #	<u>170,408</u>	<u>1,694,377</u>
	<u><u>6,827,946</u></u>	<u><u>9,120,259</u></u>

- Funds relating to these reserves are held in an overnight cash deposit facility with the West Australian Treasury Corporation. Access to these funds requires two authorised signatories from the Department of Regional Development and Lands before being released to the Shire.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2014 \$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	242,859	166,707
Sundry Debtors	375,943	159,396
Provision of Doubtful Debts	(15,624)	(2,632)
GST Receivable	33,011	0
Other Current Debtors	15,043	19,626
	<u>651,232</u>	<u>343,097</u>
Non-Current		
Rates Outstanding - Pensioners	11,064	5,302
	<u>11,064</u>	<u>5,302</u>

The ageing of the past due but not impaired receivable (Rates Outstanding and Sundry Debtors) are as follows:

0 to 3 months overdue	9,306	34,904
3 to 6 months overdue	3,520	33,546
Over 6 months overdue	269,574	197,763
	<u>282,400</u>	<u>266,213</u>

5. INVENTORIES

Current		
Fuel and Materials	10,124	12,904
	<u>10,124</u>	<u>12,904</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2014 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014 - Level 2	1,790,000	1,790,000
- Independent Valuation 2014 - Level 3	<u>76,000</u>	<u>76,000</u>
	1,866,000	1,866,000
Reserves Vested in and under the control of Council at:		
- Management Valuation 2014 - Level 3	<u>505,885</u>	<u>505,885</u>
Total Land	2,371,885	2,371,885
Buildings at:		
- Independent Valuation 2014 - Level 2	3,162,000	3,162,000
- Independent Valuation 2014 - Level 3	17,481,000	17,481,000
- Management Valuation 2014 - Level 3	71,406	71,406
- Additions after valuation - cost	2,277,637	2,038,676
Less Accumulated Depreciation	<u>(903,856)</u>	<u>(427,003)</u>
Total Buildings	22,088,187	22,326,079
Total Land and Buildings	<u>24,460,072</u>	<u>24,697,964</u>
Furniture & Equipment at:		
- Management Valuation 2015 - Level 3	111,425	0
- Cost	0	425,544
Less Accumulated Depreciation	<u>0</u>	<u>(271,271)</u>
	111,425	154,273
Plant & Equipment at:		
- Independent Valuation 2013 - Level 2	2,250,209	2,250,209
- Management Valuation 2013 - Level 2	103,767	103,767
- Management Valuation 2013 - Level 3	138,440	138,440
- Cost	87,457	97,965
Less Accumulated Depreciation	<u>(546,499)</u>	<u>(270,759)</u>
	2,033,374	2,319,622
Work in Progress	199,697	8,724
	<u>26,804,568</u>	<u>27,180,583</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Transfers Change of Input Levels \$	Transfers Between Asset Classes \$	Revaluation Increments/ (Decrements) \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	1,790,000	0	0	0	0	0	0	1,790,000
Freehold Land	(Level 3)	76,000	0	0	0	0	0	0	76,000
Land Vested In and Under the Control of Council	(Level 3)	505,885	0	0	0	0	0	0	505,885
Total Land		2,371,885	0	0	0	0	0	0	2,371,885
Non-Specialised Buildings	(Level 2)	3,083,129	49,489	0	0	27,808	0	(78,849)	3,081,577
Specialised Buildings	(Level 3)	19,242,950	126,255	0	0	300	0	(362,895)	19,006,610
Total Buildings		22,326,079	175,744	0	0	28,108	0	(441,744)	22,088,187
Total Land and Buildings		24,697,964	175,744	0	0	28,108	0	(441,744)	24,460,072
Furniture and Equipment	(Level 3)	154,273	10,787	(56,751)	0	(28,108)	54,933	(23,709)	111,425
Plant and Equipment	(Level 2)	2,238,197	246,379	(30,045)	(33,748)	(190,973)	0	(270,208)	1,959,602
Plant and Equipment	(Level 3)	81,425	0	(27,256)	33,748	0	0	(14,145)	73,772
Work in Progress		8,724	0	0	0	190,973	0	0	199,697
Total Property, Plant and Equipment		27,180,583	432,910	(114,052)	0	0	54,933	(749,806)	26,804,568

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per hectare
Freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Land vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Non-specialised buildings	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per square metre
Specialised buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent valuers and Management valuation	June 2014	Improvements to land using 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 2015	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements (Continued)

<u>Asset Class</u>	<u>Fair Value Hierarchy</u>	<u>Valuation Technique</u>	<u>Basis of valuation</u>	<u>Date of last Valuation</u>	<u>Inputs used</u>
Plant and Equipment					
- Independent valuation 2013	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2013	Price per item
- Independent valuation 2013	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2013	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
- Management valuation 2013	3	Cost approach using depreciated replacement cost	Management valuation	June 2013	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
7 (a). INFRASTRUCTURE		
Roads		
- Management Valuation 2015 - Level 3	56,477,482	0
- Cost	0	26,291,898
Less Accumulated Depreciation	<u>(24,026,159)</u>	<u>(12,848,763)</u>
	32,451,323	13,443,135
Footpaths		
- Management Valuation 2015 - Level 3	1,049,165	0
- Cost	0	524,273
Less Accumulated Depreciation	<u>(627,173)</u>	<u>(119,870)</u>
	421,992	404,403
Airfields		
- Independent Valuation 2014 - Level 3	625,000	625,000
- Cost	0	0
Less Accumulated Depreciation	<u>(25,000)</u>	<u>(12,500)</u>
	600,000	612,500
Parks and Ovals		
- Independent Valuation 2014 - Level 3	357,000	357,000
- Additions after valuation - cost	292,460	292,460
Less Accumulated Depreciation	<u>(15,540)</u>	<u>(7,770)</u>
	633,920	641,690
Drainage - Cost	0	67,792
Less Accumulated Depreciation	<u>0</u>	<u>(2,712)</u>
	0	65,080
Playground Equipment		
- Independent Valuation 2014 - Level 3	53,000	53,000
- Cost	0	0
Less Accumulated Depreciation	<u>(10,600)</u>	<u>(5,300)</u>
	42,400	47,700
Sewerage		
- Independent Valuation 2015 - Level 3	2,942,000	0
- Cost	0	1,630,211
Less Accumulated Depreciation	<u>(763,000)</u>	<u>(614,752)</u>
	2,179,000	1,015,459
Dams		
- Independent Valuation 2015 - Level 3	1,817,000	0
- Cost	0	129,425
Less Accumulated Depreciation	<u>(1,148,700)</u>	<u>(35,548)</u>
	668,300	93,877
Other Infrastructure		
- Independent Valuation 2014 - Level 3	1,861,000	1,861,000
- Management Valuation 2014 - Level 3	907,832	907,832
- Additions after valuation - cost	2,263,623	0
Less Accumulated Depreciation	<u>(145,189)</u>	<u>(67,459)</u>
	4,887,266	2,701,373
Work in Progress	129,971	1,958,084
	<u>42,014,172</u>	<u>20,983,301</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7 (a). INFRASTRUCTURE (Continued)

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. 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.

The Shire's Infrastructure was revalued as 30 June 2015 by Greenfield Technical Services an independent specialist valuer and Griffin Valuation Advisory an independent valuer.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

		Balance at the Beginning of the Year	Additions	(Disposals)	Transfers Between Asset Classes	Revaluation Increments/ (Decrements)	Depreciation (Expense)	Carrying Amount at the End of Year
		\$	\$	\$	\$	\$	\$	\$
Roads	(Level 3)	13,443,135	902,448	0	63,724	18,550,097	(508,081)	32,451,323
Footpaths	(Level 3)	404,403	0	0	0	28,074	(10,485)	421,992
Airfields	(Level 3)	612,500	0	0	0	0	(12,500)	600,000
Parks & Ovals	(Level 3)	641,690	0	0	0	0	(7,770)	633,920
Drainage		65,080	0	0	(63,724)	0	(1,356)	0
Playground Equipment	(Level 3)	47,700	0	0	0	0	(5,300)	42,400
Sewerage	(Level 3)	1,015,459	0	0	0	1,204,296	(40,755)	2,179,000
Dams	(Level 3)	93,877	0	0	0	577,011	(2,588)	668,300
Other	(Level 3)	2,701,373	425,238	0	1,828,113	0	(67,458)	4,887,266
Work in Progress		1,958,084	0	0	(1,828,113)	0	0	129,971
Total Infrastructure		<u>20,983,301</u>	<u>1,327,686</u>	<u>0</u>	<u>0</u>	<u>20,359,478</u>	<u>(656,293)</u>	<u>42,014,172</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
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
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
Airfields	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks & Ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Playground Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Sewerage	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
Dams	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
Other	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	112,291	106,044
Accrued Interest on Debentures	5,737	7,031
Accrued Salaries and Wages	61,334	50,998
Accrued Expenditure	2,661	13,695
GST Payable	0	38,511
FBT Liability	8,930	8,566
PAYG Liability	32,110	30,104
	<u>223,063</u>	<u>254,949</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge Debentures	<u>70,783</u>	<u>66,467</u>
	<u>70,783</u>	<u>66,467</u>
Non-Current		
Secured by Floating Charge Debentures	<u>175,178</u>	<u>245,961</u>
	<u>175,178</u>	<u>245,961</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2014			
Current provisions	143,683	163,629	307,312
Non-current provisions	0	41,323	41,323
	<u>143,683</u>	<u>204,952</u>	<u>348,635</u>
Amounts used	(7,381)	(33,187)	(40,568)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	1,377	20,451	21,828
Balance at 30 June 2015	<u>137,679</u>	<u>192,216</u>	<u>329,895</u>
Comprises			
Current	137,679	161,382	299,061
Non-current	0	30,834	30,834
	<u>137,679</u>	<u>192,216</u>	<u>329,895</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
11. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	216,594	216,594	127,862
Amount Set Aside / Transfer to Reserve	60,122	59,746	103,550
Amount Used / Transfer from Reserve	0	(59,000)	(14,818)
	<u>276,716</u>	<u>217,340</u>	<u>216,594</u>
(b) Sports & Recreation Facilities Reserve			
Opening Balance	0	0	376,320
Amount Set Aside / Transfer to Reserve	0	0	9,905
Amount Used / Transfer from Reserve	0	0	(386,225)
	<u>0</u>	<u>0</u>	<u>0</u>
(c) Plant Reserve			
Opening Balance	679,388	679,388	653,460
Amount Set Aside / Transfer to Reserve	210,813	184,042	189,673
Amount Used / Transfer from Reserve	(50,000)	(388,409)	(163,745)
	<u>840,201</u>	<u>475,021</u>	<u>679,388</u>
(d) Building Reserve			
Opening Balance	5,034	5,034	4,905
Amount Set Aside / Transfer to Reserve	119	110	129
Amount Used / Transfer from Reserve	0	0	0
	<u>5,153</u>	<u>5,144</u>	<u>5,034</u>
(e) Economic Development Reserve			
Opening Balance	103,689	103,689	101,030
Amount Set Aside / Transfer to Reserve	2,453	2,272	2,659
Amount Used / Transfer from Reserve	0	0	0
	<u>106,142</u>	<u>105,961</u>	<u>103,689</u>
(f) Unspent Grants and Contributions Reserve			
Opening Balance	2,001,459	2,001,459	209,551
Amount Set Aside / Transfer to Reserve	949,707	28,860	2,050,224
Amount Used / Transfer from Reserve	(1,968,248)	(1,992,855)	(258,316)
	<u>982,918</u>	<u>37,464</u>	<u>2,001,459</u>
(g) Community Development Reserve			
Opening Balance	1,461,097	1,461,097	2,305,611
Amount Set Aside / Transfer to Reserve	34,560	47,020	55,486
Amount Used / Transfer from Reserve	(123,515)	(389,041)	(900,000)
	<u>1,372,142</u>	<u>1,119,076</u>	<u>1,461,097</u>
(h) Morawa Community Trust Reserve			
Opening Balance	18,483	24,730	34,048
Amount Set Aside / Transfer to Reserve	461	542	683
Amount Used / Transfer from Reserve	(8,000)	(16,196)	(16,248)
	<u>10,944</u>	<u>9,076</u>	<u>18,483</u>
(i) Morawa Community Future Funds Reserve			
Opening Balance	2,113,351	2,113,351	2,059,161
Amount Set Aside / Transfer to Reserve	49,987	66,312	54,190
Amount Used / Transfer from Reserve	(7,527)	0	0
	<u>2,155,811</u>	<u>2,179,663</u>	<u>2,113,351</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
11. RESERVES - CASH BACKED (Continued)			
(j) Sewerage Reserve			
Opening Balance	77,862	77,862	41,806
Amount Set Aside / Transfer to Reserve	44,032	1,706	36,056
Amount Used / Transfer from Reserve	0	(49,682)	0
	<u>121,894</u>	<u>29,886</u>	<u>77,862</u>
(k) Refuse Transfer Station Reserve			
Opening Balance	191,566	191,567	313,291
Amount Set Aside / Transfer to Reserve	4,531	4,198	8,246
Amount Used / Transfer from Reserve	0	(95,000)	(129,971)
	<u>196,097</u>	<u>100,765</u>	<u>191,566</u>
(l) Aged Care Units Reserve			
Opening Balance	8,662	8,662	8,440
Amount Set Aside / Transfer to Reserve	205	190	222
Amount Used / Transfer from Reserve	0	0	0
	<u>8,867</u>	<u>8,852</u>	<u>8,662</u>
(m) Super Towns - North Midlands Solar Thermal Power Reserve			
Opening Balance	528,654	528,654	515,742
Amount Set Aside / Transfer to Reserve	11,482	11,585	12,912
Amount Used / Transfer from Reserve	0	(500,000)	0
	<u>540,136</u>	<u>40,239</u>	<u>528,654</u>
(n) Super Towns - Morawa Revitalisation Reserve			
Opening Balance	1,694,377	1,694,377	2,685,039
Amount Set Aside / Transfer to Reserve	31,031	17,131	54,338
Amount Used / Transfer from Reserve	(1,555,000)	(1,694,378)	(1,045,000)
	<u>170,408</u>	<u>17,130</u>	<u>1,694,377</u>
(o) Business Units Reserve			
Opening Balance	20,043	20,043	0
Amount Set Aside / Transfer to Reserve	20,474	20,439	20,043
Amount Used / Transfer from Reserve	0	0	0
	<u>40,517</u>	<u>40,482</u>	<u>20,043</u>
TOTAL CASH BACKED RESERVES	<u><u>6,827,946</u></u>	<u><u>4,386,099</u></u>	<u><u>9,120,259</u></u>
Total Opening balance	9,120,259	9,126,507	9,436,266
Total Amount set aside / transfer to reserve	1,419,977	444,153	2,598,316
Total Amount used / transfer from reserve	(3,712,290)	(5,184,561)	(2,914,323)
TOTAL RESERVES	<u><u>6,827,946</u></u>	<u><u>4,386,099</u></u>	<u><u>9,120,259</u></u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

11. RESERVES - CASH BACKED (Continued)

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

Long Service Leave Reserve

- to be used to fund long service leave requirements

Sport & Recreation Facilities Reserve

- to be used to refurbish, replace, extend or establish Sport & Recreation Facilities

Plant Reserve

- to be used for the purchase of major plant

Building Reserve

- to be used for the maintenance of council owned buildings

Economic Development Reserve

- to be used for projects to enhance Economic Development within the Shire

Unspent Grants and Contributions Reserve

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

Community Development Reserve

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

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

Sewerage Reserve

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

Refuse Transfer Station Reserve

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

Aged Care 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

Except for the the Community Development, Morawa Community Trust, Refuse Transfer Station, Super Towns - North Midlands Solar Thermal and Super Towns - Morawa Revitalisation Reserves, the 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 FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

12. ASSET REVALUATION SURPLUS	2015	2014
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	14,238,714	0
Revaluation Increment	0	14,238,714
Revaluation Decrement	0	0
	<u>14,238,714</u>	<u>14,238,714</u>
(b) Plant and Equipment		
Opening balance	294,261	294,261
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>294,261</u>	<u>294,261</u>
(c) Furniture and Equipment		
Opening balance	0	0
Revaluation Increment	54,933	0
Revaluation Decrement	0	0
	<u>54,933</u>	<u>0</u>
(d) Infrastructure - Roads		
Opening balance	0	0
Revaluation Increment	18,550,097	0
Revaluation Decrement	0	0
	<u>18,550,097</u>	<u>0</u>
(e) Infrastructure - Footpaths		
Opening balance	0	0
Revaluation Increment	28,074	0
Revaluation Decrement	0	0
	<u>28,074</u>	<u>0</u>
(f) Infrastructure - Airfield		
Opening balance	312,142	0
Revaluation Increment	0	312,142
Revaluation Decrement	0	0
	<u>312,142</u>	<u>312,142</u>
(g) Infrastructure - Playground Equipment		
Opening balance	15,470	0
Revaluation Increment	0	15,470
Revaluation Decrement	0	0
	<u>15,470</u>	<u>15,470</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

12. ASSET REVALUATION SURPLUS (Continued)	2015	2014
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(h) Infrastructure - Dams		
Opening balance	0	0
Revaluation Increment	577,011	0
Revaluation Decrement	0	0
	<u>577,011</u>	<u>0</u>
(i) Infrastructure - Sewerage		
Opening balance	0	0
Revaluation Increment	1,204,296	0
Revaluation Decrement	0	0
	<u>1,204,296</u>	<u>0</u>
(j) Infrastructure - Other		
Opening balance	1,721,924	0
Revaluation Increment	0	1,721,924
Revaluation Decrement	0	0
	<u>1,721,924</u>	<u>1,721,924</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>36,996,922</u></u>	<u><u>16,582,511</u></u>
Total Opening balance	16,582,511	294,261
Total Amount set aside / transfer to revaluation surplus	20,414,411	16,288,250
Total Amount used / transfer from revaluation surplus	0	0
TOTAL ASSET REVALUATION SURPLUS	<u><u>36,996,922</u></u>	<u><u>16,582,511</u></u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2015 \$	2015 Budget \$	2014 \$
Cash and Cash Equivalents	<u>7,914,726</u>	<u>4,679,110</u>	<u>9,716,579</u>

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

Net Result	(1,133,198)	4,850,856	2,693,708
Depreciation	1,406,099	1,093,212	1,363,965
(Profit)/Loss on Sale of Asset	97,689	14,036	126,545
(Increase)/Decrease in Receivables	(313,897)	165,116	189,613
(Increase)/Decrease in Inventories	2,780	2,050	(3,223)
Increase/(Decrease) in Payables	(31,886)	188,036	(137,686)
Increase/(Decrease) in Employee Provisions	(18,740)	(50,000)	46,946
Grants/Contributions for the Development of Assets	(1,250,290)	(5,783,215)	(4,099,174)
Loss on Revaluation of Fixed Assets	0	0	18,667
Net Cash from Operating Activities	<u>(1,241,443)</u>	<u>480,091</u>	<u>199,361</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	15,000	15,000
Credit Card Balance at Balance Date	<u>(4,606)</u>	<u>(3,611)</u>
Total Amount of Credit Unused	<u>10,394</u>	<u>11,389</u>

Loan Facilities

Loan Facilities - Current	70,783	66,467
Loan Facilities - Non-Current	<u>175,178</u>	<u>245,961</u>
Total Facilities in Use at Balance Date	<u>245,961</u>	<u>312,428</u>
Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

14. CONTINGENT LIABILITIES

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

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

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

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

There are no finance lease commitments at 30 June 2015.

(b) Operating Lease Commitments

There are no operating lease commitments at 30 June 2015.

(c) Capital Expenditure Commitments

	2015	2014
	\$	\$
Contracted for:		
- capital expenditure projects	518,527	905,045
Payable:		
- not later than one year	518,527	905,045

The capital expenditure project outstanding amount of \$518,527 at the end of the current reporting period is for the upgrade of the Aquatic Facilities in Morawa.

The capital expenditure project outstanding at the end of the previous reporting period represents \$905,045 for the construction of a new civic square and revitalisation project within the Morawa townsite.

Capital expenditure commitment figures above are excluding GST.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

16. JOINT VENTURE

The Shire was not involved in any joint ventures at 30 June 2014 and 30 June 2015.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2015	2014
	\$	\$
Governance	959,478	930,830
General Purpose Funding	1,041,415	172,009
Law, Order, Public Safety	240,812	269,480
Health	739,268	764,537
Education and Welfare	504,481	506,630
Housing	3,285,984	3,323,765
Community Amenities	3,101,632	1,904,582
Recreation and Culture	13,809,764	13,703,635
Transport	35,360,809	16,241,855
Economic Services	11,503,353	13,670,481
Other Property and Services	3,462,789	3,674,025
Unallocated	3,396,101	3,079,937
	<u>77,405,886</u>	<u>58,241,766</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

18. FINANCIAL RATIOS	2015	2014	2013
Current Ratio	3.55	2.17	2.80
Asset Sustainability Ratio	0.89	1.24	1.19
Debt Service Cover Ratio	(11.32)	(0.18)	22.54
Operating Surplus Ratio	(0.81)	(0.49)	0.23
Own Source Revenue Coverage Ratio	0.37	0.55	0.64

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

Notes:

Information relating to the **Asset Consumption Ratio** and **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 64 of this document.

Two of the 2013 ratios disclosed above are distorted by an item of revenue totalling \$505,885 relating to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations (refer Notes 1(f) for further details).

This item forms part of operating revenue and has been included in the calculations above.

This item of revenue is considered to be a "one-off" and is non-cash in nature and, if it was ignored, the calculations disclosed in the 2013 column above would be as follows:

	2013
Debt Service Cover Ratio	16.58
Operating Surplus Ratio	0.07

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

19. TRUST FUNDS

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

	Balance 1-Jul-14 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-15 \$
Housing Bonds	520	0	(520)	0
Child Care Bonds	155	0	(155)	0
Youth Centre	865	0	0	865
Haulmore Trailers Land Deposit	4,641	0	0	4,641
Social Club Payments	1,570	0	(1,570)	0
BCITF/BRB Training Levies	107	3,857	(1,079)	2,885
Local Drug Action Group	385	200	(24)	561
Bill Johnson Unit 1 Bond	520	0	(520)	0
Morawa Oval Function Centre	1,762	0	0	1,762
	<u>10,525</u>			<u>10,714</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

20. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Health						
Asset 364 - Ford FG G6 Sedan(Drs)	0	24,100	0	9,091	0	(15,009)
Transport						
Asset 272 - Case Backhoe - P192	0	46,300	0	35,000	0	(11,300)
Assets under Capitalisation Threshold	44,574	0	0	0	(44,574)	0
Other Property & Services						
Asset 340 Trade Kluger 4WD Grande 7 seat	12,727	12,727	16,363	25,000	3,636	12,273
Assets under Capitalisation Threshold	56,751	0	0	0	(56,751)	0
	114,052	83,127	16,363	69,091	(97,689)	(14,036)

Profit	3,636	12,273
Loss	(101,325)	(26,309)
	<u>(97,689)</u>	<u>(14,036)</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-14 \$	New Loans		Principal Repayments		Principal 30-Jun-15		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing									
Loan 133 - GEHA House	160,651	0	0	28,070	28,070	132,581	132,580	10,020	10,234
Loan 134 - 2 Broad Street	114,055	0	0	20,112	20,112	93,943	93,943	6,186	7,185
Loan 135 - Staff Housing	37,722	0	0	18,285	18,285	19,437	19,438	2,056	2,156
Recreation & culture									
Loan 139 - Hall Kitchen Rendering	0	0	110,000	0	0	0	110,000	0	0
	312,428	0	110,000	66,467	66,467	245,961	355,961	18,262	19,575

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 - 2014/15

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 139 - Hall Kitchen Rendering	0	110,000	WATC	Debenture	10	Unknown	Unknown	0	110,000	0

(c) Unspent Debentures

There were no unspent debentures at 30 June 2015.

(d) Overdraft

Council has no overdraft facility and no overdraft has been utilised at 30 June 2015.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR

(a) Rates

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											
GRV Residential/Commercial	6.8236	263	2,792,472	190,547	4,641	0	195,188	190,547	0	0	190,547
UV Rural	2.0775	218	56,206,000	1,167,680	23	0	1,167,703	1,167,680	0	0	1,167,680
UV Mining	27.4580	19	471,650	129,506	3,844	0	133,350	129,506	0	0	129,506
Non-Rateable		0	0	0	(2,724)	0	(2,724)	0	0	0	0
Sub-Totals		500	59,470,122	1,487,733	5,784	0	1,493,517	1,487,733	0	0	1,487,733
Minimum Rates	Minimum \$										
GRV Residential/Commercial	257	54	42,985	13,878	0	0	13,878	13,878	0	0	13,878
UV Rural	257	7	49,800	1,799	0	0	1,799	1,799	0	0	1,799
UV Mining	622	12	10,301	7,464	0	0	7,464	7,464	0	0	7,464
Sub-Totals		73	103,086	23,141	0	0	23,141	23,141	0	0	23,141
Ex-Gratia Rates							1,516,658				1,510,874
Discounts (<i>refer note 25</i>)							5,331				5,950
Rates Written Off							(56,937)				(49,000)
Movement in Excess Rates							(5,670)				(1,300)
Total Amount Raised from General Rate/ Total Rates							84,378				0
							1,543,760				1,466,524

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>1,502,728</u>	<u>606,654</u>	<u>606,654</u>
<u>Comprises:</u>			
Cash - Unrestricted	459,948	537,671	537,671
Cash - Restricted	7,454,778	9,178,908	9,178,908
Rates Outstanding	242,859	166,707	166,707
Sundry Debtors	375,943	159,396	159,396
Provision of Doubtful Debts	(15,624)	(2,632)	(2,632)
GST Receivable	33,011	0	0
Other Current Debtors	15,043	19,626	19,626
Inventories			
- Fuel and Materials	10,124	12,904	12,904
Less:			
Reserves - Restricted Cash			
- Long Service Leave Reserve	(276,716)	(216,594)	(216,594)
- Plant Reserve	(840,201)	(679,388)	(679,388)
- Building Reserve	(5,153)	(5,034)	(5,034)
- Economic Development Reserve	(106,142)	(103,689)	(103,689)
- Unspent Grants and Contributions Reserve	(982,918)	(2,001,459)	(2,001,459)
- Community Development Reserve	(1,372,142)	(1,461,097)	(1,461,097)
- Morawa Community Trust Reserve	(10,944)	(18,483)	(18,483)
- Morawa Community Future Funds Reserve	(2,155,811)	(2,113,351)	(2,113,351)
- Sewerage Reserve	(121,894)	(77,862)	(77,862)
- Refuse Transfer Station Reserve	(196,097)	(191,566)	(191,566)
- Aged Care Units Reserve	(8,867)	(8,662)	(8,662)
- Business Units Reserve	(40,517)	(20,043)	(20,043)
- Super Towns - North Midlands Solar Thermal Reserve	(540,136)	(528,654)	(528,654)
- Super Towns - Morawa Revitalisation Reserve	(170,408)	(1,694,377)	(1,694,377)
Sundry Creditors	(112,291)	(106,044)	(106,044)
Accrued Interest on Debentures	(5,737)	(7,031)	(7,031)
Accrued Salaries & Wages	(61,334)	(50,998)	(50,998)
Accrued Expenditure	(2,661)	(13,695)	(13,695)
GST Payable	0	(38,511)	(38,511)
FBT Liability	(8,930)	(8,566)	(8,566)
PAYG Liability	(32,110)	(30,104)	(30,104)
Current Employee Benefits Provision	(299,061)	(307,312)	(307,312)
Current Loan Liability	(70,783)	(66,467)	(66,467)
Add Back : Component of Leave Liability not Required to be Funded	276,716	216,594	216,594
Add Back : Current Loan Liability	70,783	66,467	66,467
Surplus/(Deficit)	<u>1,502,728</u>	<u>606,654</u>	<u>606,654</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2014 audited financial report.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

No specified area rates were levied in the 2014/15 financial year.

24. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

No Service Charges were imposed in the 2014/15 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	5.00%	56,937	49,000
			56,937	49,000
Rate Assessment	Write-Off		5,676	1,300

A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice.

26. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		26,904	28,000
Interest on Instalments Plan	5.50%		1,927	2,500
Charges on Instalment Plan		5	745	1,000
			29,576	31,500

Ratepayers had the option of paying rates in four equal instalments, due on 3rd October 2014, 5th January 2014, 6th February 2015 and 7th April 2015. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2015 \$	2014 \$
Governance	27	46
General Purpose Funding	2,006	19,102
Law, Order, Public Safety	2,122	2,612
Health	350	1,150
Education and Welfare	3,303	1,504
Housing	45,778	50,012
Community Amenities	429,820	432,951
Recreation and Culture	79,709	58,419
Transport	7,211	395
Economic Services	181,187	270,406
Other Property and Services	19,010	37,288
	<u>770,523</u>	<u>873,885</u>

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

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

28. GRANT REVENUE

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

	2015	2014
By Nature and Type:	\$	\$
Operating Grants, Subsidies and Contributions	2,604,667	961,530
Non-Operating Grants, Subsidies and Contributions	1,250,290	4,095,091
	<u>3,854,957</u>	<u>5,056,621</u>
By Program:		
Governance	8,235	2,569
General Purpose Funding	2,325,710	755,443
Law, Order, Public Safety	36,050	35,891
Education and Welfare	57,466	9,241
Community Amenities	0	46,200
Recreation and Culture	446,007	813,770
Transport	881,489	923,488
Economic Services	100,000	2,470,019
	<u>3,854,957</u>	<u>5,056,621</u>

29. ELECTED MEMBERS REMUNERATION

	2015	2015	2014
	\$	Budget	\$
		\$	

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

Meeting Fees	56,000	64,000	64,000
President's Allowance	17,000	17,000	17,000
Deputy President's Allowance	4,250	4,250	4,250
Travelling Expenses	1,311	200	0
Telecommunications Allowance	0	982	0
	<u>78,561</u>	<u>86,432</u>	<u>85,250</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2015	2014
	<u>23</u>	<u>24</u>

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

31. MAJOR LAND TRANSACTIONS

There were no major land transactions in the year 2014/15.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

33. EVENTS OCCURRING AFTER THE REPORTING DATE

Events that occur between the end of the reporting period (ending 30 June 2015 and the date when the financial statements are "authorised for issue") have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Period represent one of two types:

- i. Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

- ii. Events that provide evidence of conditions that arose after the Reporting Period

The Council is not aware of any material or significant 'non-adjusting events' that should be disclosed.

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	7,914,726	9,716,579	7,914,726	9,716,579
Receivables	<u>662,296</u>	<u>348,399</u>	<u>662,296</u>	<u>348,399</u>
	<u><u>8,577,022</u></u>	<u><u>10,064,978</u></u>	<u><u>8,577,022</u></u>	<u><u>10,064,978</u></u>
Financial Liabilities				
Payables	223,063	254,949	223,063	254,949
Borrowings	<u>245,961</u>	<u>312,428</u>	<u>216,092</u>	<u>279,734</u>
	<u><u>469,024</u></u>	<u><u>567,377</u></u>	<u><u>439,155</u></u>	<u><u>534,683</u></u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)
(a) Cash and Cash Equivalents

Council'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 and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2015	2014
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	87,493	90,804
- Statement of Comprehensive Income	87,493	90,804

Notes:

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

Recent market volatility has seen large market movements for certain types of investments.

**SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

Council'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. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council 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 Council's credit risk at balance date was:

	2015	2014
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	89.07%	63.00%
- Overdue	10.93%	37.00%

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. 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. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2015</u>					
Payables	223,063	0	0	223,063	223,063
Borrowings	86,023	169,476	0	255,499	245,961
	<u>309,086</u>	<u>169,476</u>	<u>0</u>	<u>478,562</u>	<u>469,024</u>
<u>2014</u>					
Payables	254,949	0	0	254,949	254,949
Borrowings	86,023	255,499	0	341,522	312,428
	<u>340,972</u>	<u>255,499</u>	<u>0</u>	<u>596,471</u>	<u>567,377</u>

SHIRE OF MORAWA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables (Continued)
Borrowings (Continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council 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
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2015</u>								
Borrowings								
Fixed Rate								
Debentures	19,437	0	0	226,524	0	0	245,961	6.48%
Weighted Average Effective Interest Rate	6.20%			6.51%				
<u>Year Ended 30 June 2014</u>								
Borrowings								
Fixed Rate								
Debentures	0	37,722	0	0	274,706	0	312,428	6.47%
Weighted Average Effective Interest Rate	6.20%			6.51%				

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**SHIRE OF MORAWA
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2015**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information.

	2015	2014	2013
Asset Consumption Ratio	0.52	0.50	0.36
Asset Renewal Funding Ratio	0.60	0.581	0.55

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
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Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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