

COUNCIL'S VISION

Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity



MINUTES

Audit Committee

Wednesday 23rd November 2016
Commencing at 2:00pm

Council Chambers
28 Yougenup Road
GNOWANGERUP WA 6335

COUNCIL'S VISION

Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity

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AGENDA

1. OPENING OF MEETING

The Shire President Keith House, welcomed Councillors, Staff and visitors and opened the meeting at 2:08pm.

2. ATTENDANCE/APOLOGIES

2.1 ATTENDANCE

Keith House	Shire President
Fiona Gaze	Deputy Chief Executive Officer
Lex Martin	
Bronwyn Gaze	
Richard House	
Frank Hmeljak	
Sue Lance	
Ben Moore	
Shelley Hmeljak	
Shelley Pike	Chief Executive Officer
Vin Fordham Lamont	Deputy Chief Executive Officer
Carol Shaddick	Senior Finance Officer
Abbey Sergeant	Executive Assistant
Tim Partridge	AMD

2.2 APOLOGIES

Nil.

3. CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 AUDIT COMMITTEE MEETING MINUTES 24 AUGUST 2016

COMMITTEE RESOLUTION

Moved: Cr S Hmeljak

Seconded: Cr B Gaze

AC1116.7 That the minutes from Audit Committee meeting held on 24 August 2016 be confirmed as true and correct.

UNANIMOUSLY CARRIED: 8/0

4. OFFICER ITEMS

Tim Partridge from AMD presented the Audit and Management Report to Council.

1. Audit Report

AMD gave a clean Financial Report and Statutory Compliance under the Local Government Act and Financial Management Regulations. No breaches recorded.

2. Management Report

The Management Report is not a statutory requirement however provides constructive feedback outside the formal reporting. AMD is pleased to report there was no Fraud and Error reported. Gnowangerup met all the Financial Ratios which are required to be included with the exception of the operating surplus ratio.

R House, Are we in the ball park for good management Ratios?

Tim, favourable yes, Gnowangerup only has 1 Ratio not met. Overall council is in a fairly solid position.

B Gaze, with significant funding cuts in recent years do you think there is light at the end of the tunnel?

Tim, not particularly

3. Recommendations

A number of recommendations have been made for staff to follow up on.

As a reminder the Department have released the Local Government Operational Guideline 9 - Audit in Local Government, a copy has been sent to your emails.

Cr Fiona Gaze entered the meeting at 2:39pm

4.1	2015-2016 ANNUAL FINANCIAL REPORT AND AUDIT REPORT
Location:	Shire of Gnowangerup
Proponent:	N/A
File Ref:	12.2.1
Date of Report:	8 November 2016
Business Unit:	Finance
Officer:	V. Fordham Lamont - Deputy Chief Executive Officer
Disclosure of Interest:	Nil

ATTACHMENT

- Attachment 1 - 2015/2016 Annual Financial Report and Auditor's Report
- Attachment 2 – Auditor's Management Report Letter for 30 June 2016

PURPOSE OF THE REPORT

For Council to consider the Annual Financial Report and Auditor's Report.

BACKGROUND

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year.

The Shire of Gnowangerup has met those requirements and the Shire's auditors have completed their audit of the accounts and the Annual Financial Report for the year ended 30 June 2016.

COMMENTS

The audit has been completed with no issues of significance raised and the audit report is unqualified (Attachment 1 refers).

The auditor has also provided a Management Letter (Attachment 2 refers) in which the auditor provides commentary on:

1. Financial Ratio Performance Measures (Operating Surplus Ratio, reported at -0.41, is below the Department's benchmark of 0.01);
2. Self-Supporting Loans;
3. GST Reconciliation;
4. Employee Entitlements – Long Service Leave;
5. Employee Entitlements – Annual Leave;
6. Works Costings;
7. Unrecorded Creditors;
8. Inventory Reconciliation;
9. Non-Rateable Properties

The Operating Surplus Ratio is calculated by dividing (operating revenue minus operating expenses) by own source operating revenue.

Definitions:

- Operating Revenue is the revenue that is operating revenue for the purposes of Australian Accounting Standards, excluding –
 - (a) grants for the development or acquisition of assets; and
 - (b) contributions for the development or acquisition of assets.
- Operating Expenses are the expenses that are operating expenses for the purposes of Australian Accounting Standards.
- Own source operating revenue is revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

This ratio effectively highlights the scale/extent of any operating surplus or deficit in relation to the overall size of the local government. It helps to measure the ability to cover operational needs and have revenues available for capital or other purposes.

In 2015/2016, Council's operating expenses were greater than its operating revenue, and therefore all operating revenue sources were consumed in covering operating expenses, leaving no operating revenue available for capital expenditure.

This ratio will change from year to year, depending on the amount of non-recurring (one-off) items of operating expenditure.

The Management Letter had no other matters to bring to Council's attention.

CONSULTATION WITH THE COMMUNITY AND GOVERNMENT AGENCIES

There are no legislative requirements to consult on the preparation of the Annual Financial Report, but the *Local Government Act 1995* requires an Annual General Meeting of Electors to be held and the Shire's Annual report, incorporating the Financial Report, to be made available publicly.

The Annual Financial Report will be made available on the Shire's public website. A minimal number of printed and bound copies of the Annual Financial Report will be available for viewing from the Shire's Administration Centre.

LEGAL AND STATUTORY REQUIREMENTS

Section 6.4 of the *Local Government Act 1995* states:

6.4 Financial Report

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*

- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
- (b) *the annual financial report of the local government for the preceding financial year.*

Regulation 51 of the *Local Government (Financial Management) Regulations 1996* states:

51. Annual financial report to be signed etc. by CEO and given to Department

- (1) *After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.*
- (2) *A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

Adopt the Annual Financial Report and accept the accompanying audit report for the year ended 30 June 2016.

VOTING REQUIREMENTS

Absolute Majority

OFFICER RECOMMENDATION

Moved: Cr L Martin

Seconded: Cr R House

AC1116.8 That the Audit Committee recommend to Council:

- 1. Adopt the Annual Financial Report for the year ended 30 June 2016.**
- 2. Accept the audit report for the 2015-2016 financial year.**
- 3. Receive the Auditors Management Report for the year ended 30 June 2016, as presented in Attachment 2, and note the comments contained therein.**

UNANIMOUSLY CARRIED: 9/0

SHIRE OF GNOWANGERUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:
28 Yougenup Road
GNOWANGERUP WA 6335

SHIRE OF GNOWANGERUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the *fourteenth* day of *November* 2016



Shelley Pike
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	3,491,477	3,469,308	3,206,966
Operating grants, subsidies and contributions	31	924,977	904,811	2,249,730
Fees and charges	30	327,594	277,068	317,467
Interest earnings	2(a)	145,550	85,720	96,805
Other revenue	2(a)	410,289	62,411	135,340
		<u>5,299,887</u>	<u>4,799,318</u>	<u>6,006,308</u>
Expenses				
Employee costs		(2,006,228)	(1,736,903)	(1,926,897)
Materials and contracts		(1,712,540)	(1,806,007)	(1,113,920)
Utility charges		(142,692)	(161,965)	(123,088)
Depreciation on non-current assets	2(a)	(2,571,267)	(1,506,295)	(1,547,096)
Interest expenses	2(a)	(67,208)	(84,118)	(78,516)
Insurance expenses		(178,991)	(206,860)	(210,091)
Other expenditure		(234,544)	(365,144)	(214,753)
		<u>(6,913,470)</u>	<u>(5,867,292)</u>	<u>(5,214,361)</u>
		<u>(1,613,583)</u>	<u>(1,067,974)</u>	<u>791,947</u>
Non-operating grants, subsidies and contributions	31	1,674,514	1,837,639	1,919,078
Profit on asset disposals	21	13,847	0	1,925
(Loss) on asset disposals	21	(82,365)	0	(333,351)
Fair value adjustments to financial assets at				
(Loss) on revaluation of furniture and equipment	7(b)	(16,543)	0	0
(Loss) on revaluation of Infrastructure - footpaths	8(b)	0	0	(29,640)
(Loss) on revaluation of Infrastructure - other	8(b)	0	0	(42,457)
Reversal of prior year loss on revaluation of Infrastructure - Solid Waste	8(b)	0	0	(7,708)
Net result		<u>(24,130)</u>	<u>769,665</u>	<u>2,299,793</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	206,996	0	95,256,158
Total other comprehensive income		<u>206,996</u>	<u>0</u>	<u>95,256,158</u>
Total comprehensive income		<u><u>182,866</u></u>	<u><u>769,665</u></u>	<u><u>97,555,951</u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		7,961	7,450	35,090
General purpose funding		4,122,193	4,077,052	5,133,536
Law, order, public safety		111,894	85,314	68,986
Health		329	0	164
Education and welfare		12,979	13,525	13,566
Housing		83,254	83,080	84,271
Community amenities		279,527	265,530	230,856
Recreation and culture		88,086	29,800	171,159
Transport		365,682	126,900	123,401
Economic services		20,068	15,098	17,017
Other property and services		207,914	95,569	128,262
		<u>5,299,887</u>	<u>4,799,318</u>	<u>6,006,308</u>
Expenses	2(a)			
Governance		(704,475)	(924,151)	(713,555)
General purpose funding		(68,141)	(59,949)	(190,150)
Law, order, public safety		(285,646)	(279,999)	(197,121)
Health		(220,168)	(227,063)	(212,849)
Education and welfare		(21,542)	(20,700)	(17,929)
Housing		(52,246)	(58,964)	(42,126)
Community amenities		(433,048)	(640,336)	(463,813)
Recreation and culture		(1,236,632)	(1,034,242)	(1,012,770)
Transport		(3,191,826)	(1,927,554)	(1,961,099)
Economic services		(87,710)	(117,461)	(74,919)
Other property and services		(544,828)	(492,755)	(249,515)
		<u>(6,846,262)</u>	<u>(5,783,174)</u>	<u>(5,135,846)</u>
Finance costs	2(a)			
General purpose funding		0	0	(6)
Housing		(25,669)	(26,512)	(29,348)
Community amenities		(2,532)	(2,636)	(3,288)
Recreation and culture		(39,007)	(54,970)	(45,874)
		<u>(67,208)</u>	<u>(84,118)</u>	<u>(78,516)</u>
		<u>(1,613,583)</u>	<u>(1,067,974)</u>	<u>791,946</u>
Non-operating grants, subsidies and contributions	31	1,674,514	1,837,639	1,919,078
Profit on disposal of assets	21	13,847	0	1,925
(Loss) on disposal of assets	21	(82,365)	0	(333,351)
(Loss) on revaluation of furniture and equipment	7(b)	(16,543)	0	0
(Loss) on revaluation of Infrastructure - footpaths	8(b)	0	0	(29,640)
(Loss) on revaluation of Infrastructure - other	8(b)	0	0	(42,457)
Reversal of prior year loss on revaluation of Infrastructure - Solid Waste	8(b)	0	0	(7,708)
		<u>(16,543)</u>	<u>0</u>	<u>(79,805)</u>
Net result		(24,130)	769,665	2,299,793
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	206,996	0	95,256,158
Total other comprehensive income		206,996	0	95,256,158
Total comprehensive income		182,866	769,665	97,555,951

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

SHIRE OF GNOWANGERUP
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,404,876	4,465,229
Trade and other receivables	5	631,700	221,942
Inventories	6	20,511	28,186
TOTAL CURRENT ASSETS		3,057,087	4,715,357
NON-CURRENT ASSETS			
Other receivables	5	298,422	308,080
Inventories		6,186	6,186
Property, plant and equipment	7	28,995,748	26,918,223
Infrastructure	8	124,386,356	124,775,412
TOTAL NON-CURRENT ASSETS		153,686,712	152,007,901
TOTAL ASSETS		156,743,799	156,723,258
CURRENT LIABILITIES			
Trade and other payables	9	222,389	236,740
Current portion of long term borrowings	10	185,608	202,834
Provisions	11	260,751	221,774
TOTAL CURRENT LIABILITIES		668,748	661,348
NON-CURRENT LIABILITIES			
Long term borrowings	10	1,125,813	1,311,421
Provisions	11	45,109	29,226
TOTAL NON-CURRENT LIABILITIES		1,170,922	1,340,647
TOTAL LIABILITIES		1,839,670	2,001,995
NET ASSETS		154,904,129	154,721,263
EQUITY			
Retained surplus		42,486,763	42,358,922
Reserves - cash backed	12	1,789,845	1,941,816
Revaluation surplus	13	110,627,521	110,420,525
TOTAL EQUITY		154,904,129	154,721,263

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

**SHIRE OF GNOWANGERUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		40,460,908	1,540,037	15,164,367	57,165,312
Comprehensive income					
Net result		2,299,793	0	0	2,299,793
Changes on revaluation of assets	13	0	0	95,256,158	95,256,158
Total comprehensive income		2,299,793	0	95,256,158	97,555,951
Transfers from/(to) reserves		(401,779)	401,779	0	0
Balance as at 30 June 2015		42,358,922	1,941,816	110,420,525	154,721,263
Comprehensive income					
Net result		(24,130)	0	0	(24,130)
Changes on revaluation of assets	13	0	0	206,996	206,996
Total comprehensive income		(24,130)	0	206,996	182,866
Transfers from/(to) reserves		151,971	(151,971)	0	0
Balance as at 30 June 2016		42,486,763	1,789,845	110,627,521	154,904,129

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

SHIRE OF GNOWANGERUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,460,767	3,491,808	3,183,897
Operating grants, subsidies and contributions		501,522	904,811	2,249,730
Fees and charges		327,594	277,068	330,965
Interest earnings		145,550	84,860	96,805
Goods and services tax		617,928	0	338,987
Other revenue		410,289	63,271	135,340
		<u>5,463,650</u>	<u>4,821,818</u>	<u>6,335,724</u>
Payments				
Employee costs		(1,943,185)	(1,692,259)	(1,912,106)
Materials and contracts		(1,725,683)	(1,826,007)	(1,098,083)
Utility charges		(142,692)	(161,965)	(123,088)
Interest expenses		(68,924)	(86,618)	(79,990)
Insurance expenses		(178,991)	(206,860)	(210,091)
Goods and services tax		(617,932)	0	(338,998)
Other expenditure		(234,543)	(365,144)	(210,123)
		<u>(4,911,950)</u>	<u>(4,338,853)</u>	<u>(3,972,479)</u>
Net cash provided by (used in) operating activities	14(b)	<u>551,700</u>	<u>482,965</u>	<u>2,363,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(2,939,645)	(3,418,125)	(1,351,914)
Payments for construction of infrastructure		(1,370,930)	(1,901,565)	(815,055)
Non-operating grants, subsidies and contributions		1,674,514	1,837,639	1,919,078
Proceeds from sale of fixed assets		172,773	212,000	545,345
Net cash provided by (used in) investment activities		<u>(2,463,288)</u>	<u>(3,270,051)</u>	<u>297,454</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(202,834)	(213,858)	(192,945)
Proceeds from self supporting loans		54,069	54,070	51,332
Proceeds from new debentures		0	200,000	0
Net cash provided by (used in) financing activities		<u>(148,765)</u>	<u>40,212</u>	<u>(141,613)</u>
Net increase (decrease) in cash held		(2,060,353)	(2,746,874)	2,519,086
Cash at beginning of year		4,465,229	4,465,229	1,946,143
Cash and cash equivalents at the end of the year	14(a)	<u><u>2,404,876</u></u>	<u><u>1,718,355</u></u>	<u><u>4,465,229</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>2,260,957</u> 2,260,957	<u>2,274,144</u> 2,274,144	<u>187,705</u> 187,705
Revenue from operating activities (excluding rates)				
Governance		7,961	7,450	35,090
General purpose funding		824,428	780,898	2,019,971
Law, order, public safety		111,894	85,314	68,986
Health		329	0	164
Education and welfare		12,979	13,525	13,566
Housing		83,254	83,080	84,271
Community amenities		279,527	265,530	230,856
Recreation and culture		88,086	29,800	171,159
Transport		379,529	126,900	125,326
Economic services		20,068	15,098	17,017
Other property and services		<u>207,914</u>	<u>95,569</u>	<u>128,262</u>
		2,015,969	1,503,164	2,894,668
Expenditure from operating activities				
Governance		(704,475)	(924,151)	(713,555)
General purpose funding		(68,141)	(59,949)	(190,156)
Law, order, public safety		(285,646)	(279,999)	(256,963)
Health		(220,168)	(227,063)	(358,271)
Education and welfare		(21,542)	(20,700)	(17,929)
Housing		(99,453)	(85,476)	(81,474)
Community amenities		(435,580)	(642,972)	(467,101)
Recreation and culture		(1,308,900)	(1,089,212)	(1,058,644)
Transport		(3,219,392)	(1,927,554)	(2,071,801)
Economic services		(87,710)	(117,461)	(74,919)
Other property and services		<u>(561,371)</u>	<u>(492,755)</u>	<u>(336,705)</u>
		(7,012,378)	(5,867,292)	(5,627,518)
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(13,847)	0	(1,925)
Loss on disposal of assets	21	82,365	0	333,351
Movement for Loss on Revaluation of Fixed Assets	7(b)	16,543	0	79,805
Movement in deferred pensioner rates (non-current)		(19,647)	0	(9,811)
Movement in employee benefit provisions (non-current)		15,883	44,644	(10,041)
Depreciation and amortisation on assets	2(a)	<u>2,571,267</u>	<u>1,506,295</u>	<u>1,547,096</u>
Amount attributable to operating activities		(82,888)	(539,045)	(606,670)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,674,514	1,837,639	1,919,078
Proceeds from disposal of assets	21	172,773	212,000	545,345
Purchase of property, plant and equipment	7(b)	(2,939,645)	(3,418,125)	(1,351,914)
Purchase and construction of infrastructure	8(b)	<u>(1,370,930)</u>	<u>(1,901,565)</u>	<u>(815,055)</u>
Amount attributable to investing activities		(2,463,288)	(3,270,051)	297,454
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(202,834)	(213,858)	(192,945)
Proceeds from new debentures	22(a)	0	200,000	0
Proceeds from self supporting loans		54,069	54,070	51,332
Transfers to reserves (restricted assets)	12	(198,029)	(177,270)	(480,412)
Transfers from reserves (restricted assets)	12	<u>350,000</u>	<u>650,000</u>	<u>78,633</u>
Amount attributable to financing activities		3,206	512,942	(543,392)
Surplus(deficiency) before general rates		<u>(2,542,970)</u>	<u>(3,296,154)</u>	<u>(852,608)</u>
Total amount raised from general rates	23	<u>3,297,765</u>	<u>3,296,154</u>	<u>3,113,565</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>754,796</u></u>	<u><u>0</u></u>	<u><u>2,260,957</u></u>

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

- 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	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Airport infrastructure	13 to 100 years
Parks and ovals infrastructure	2 to 100 years
Other infrastructure	10 to 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 on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

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 GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

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 GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

**SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES

	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	17,937	19,892
- Assistance with finalisation of the annual financial report	0	7,150
- Other Services	5,250	0
Depreciation		
Buildings - non-specialised	29,182	31,185
Buildings - specialised	365,828	365,473
Furniture and equipment	24,477	13,314
Plant and equipment	391,794	373,721
Intangible Assets	0	463
Infrastructure - roads	1,103,378	619,299
Infrastructure - footpaths	9,221	13,196
Infrastructure - drainage	63,971	12,582
Infrastructure - parks and ovals	380,135	101,436
Infrastructure - other	0	3,096
Infrastructure - Airports	174,911	11,154
Infrastructure - Sewer	21,221	1,843
Infrastructure - Solid Waste	7,149	334
	<u>2,571,267</u>	<u>1,547,096</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	67,208	78,510
Interest on Overdraft	0	6
	<u>67,208</u>	<u>78,516</u>
Rental charges		
- Operating leases	11,830	11,830
	<u>11,830</u>	<u>11,830</u>
(ii) Crediting as revenue:		
Significant revenue		
Reimbursements from storm damage	<u>221,206</u>	<u>0</u>
Other revenue		
Reimbursements and recoveries	120,739	64,108
Significant revenue (refer above)	221,206	0
Other	68,344	71,232
	<u>410,289</u>	<u>135,340</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	12,772	0
- Reserve funds	50,412	31,000
- Other funds	49,415	29,860
Other interest revenue (refer note 29)	32,951	24,860
	<u>145,550</u>	<u>85,720</u>
	2015	2015
	Actual	Actual
	\$	\$

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

"A thriving, inclusive and growing community built on opportunity"

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

GOVERNANCE

Objective:

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

Activities:

Administration and operation of members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

To collect revenue in the form of rates, interest and general purpose Government grants to allow for the provision of services.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

To provide services to help ensure a safer community. Activities include fire prevention, emergency services and animal control.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

To provide an operational framework for good community health, which includes food quality and pest control.

EDUCATION AND WELFARE

Objective:

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

Activities:

The provision of pre-school facilities to relevant community groups and the support of youth in the community.

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision of community housing, including administrative support for aged housing.

**SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
Country Local Gov. Fund	Various	1,111	0	(1,111)	0	0	0	0
DSR - KidzSports Grant	Recreation & Culture	21,062	6,000	(21,062)	6,000	0	(6,000)	0
Bushfire Operational Grant	Law, Order & Public Safety	6,670	11,750	(6,670)	11,750	54,046	(51,175)	14,621
SES Operational Grant	Law, Order & Public Safety	4,172	3,901	(4,172)	3,901	19,833	(18,901)	4,833
DLG - Cat Sterilisation	Law, Order & Public Safety	4,900	0	0	4,900	0	(4,900)	0
ICCWA - Stay On Your Feet	Recreation & Culture	476	0	0	476	0	0	476
DSR - Hip Hop Grant	Recreation & Culture	751	0	(751)	0	0	0	0
DFES - SES Building Grant	Law, Order & Public Safety	0	520,276	(520,276)	0	0	0	0
DSR - Swimming Pool Grant	Recreation & Culture	0	175,000	0	175,000	0	(175,000)	0
Country Local Government Fund - Swimming Pool	Recreation & Culture	0	332,761	0	332,761	0	(332,761)	0
DLG - Workforce Planning Grant	Governance	0	25,000	(6,500)	18,500	0	(18,500)	0
DSR - Club Development Grant	Recreation & Culture	0	10,000	0	10,000	0	(10,000)	0
Total		39,142	1,084,688	(560,542)	563,288	73,879	(617,237)	19,930

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.

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		595,101	1,960,125
Restricted		<u>1,809,775</u>	<u>2,505,104</u>
		<u><u>2,404,876</u></u>	<u><u>4,465,229</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	12	69,451	67,693
Plant reserve	12	665,686	902,262
Ongerup Effluent	12	125,564	112,640
Area Promotion	12	28,336	27,619
Swimming Pool Upgrade	12	35,431	34,535
Land Development	12	619,284	610,332
Computer Replacement	12	7,480	7,291
Waste Disposal	12	222,219	163,464
Royalties for Regions Unspent Grant	12	1,167	1,138
Future Funds	12	15,227	14,842
Unspent grants	2(c)	<u>19,930</u>	<u>563,288</u>
		<u><u>1,809,775</u></u>	<u><u>2,505,104</u></u>

4. INVESTMENTS

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

Leave reserve	12	69,451	67,693
Plant reserve	12	665,686	902,262
Ongerup Effluent	12	125,564	112,640
Area Promotion	12	28,336	27,619
Swimming Pool Upgrade	12	35,431	34,535
Land Development	12	619,284	610,332
Computer Replacement	12	7,480	7,291
Waste Disposal	12	222,219	163,464
Royalties for Regions Unspent Grant	12	1,167	1,138
Future Funds	12	<u>15,227</u>	<u>14,842</u>
		<u><u>1,789,845</u></u>	<u><u>1,941,816</u></u>

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding	160,215	149,152
Sundry debtors	441,142	17,555
GST receivable	64	60
Loans receivable - clubs/institutions	29,306	54,070
Accrued Interest on Self Supporting Loans	<u>973</u>	<u>1,105</u>
	<u><u>631,700</u></u>	<u><u>221,942</u></u>

Non-current

Rates outstanding - pensioners	106,087	86,440
Loans receivable - clubs/institutions	<u>192,335</u>	<u>221,640</u>
	<u><u>298,422</u></u>	<u><u>308,080</u></u>

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
6. INVENTORIES		
Current		
Fuel and materials	20,511	28,186
	<u>20,511</u>	<u>28,186</u>
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	1,143,000	1,143,000
	<u>1,143,000</u>	<u>1,143,000</u>
	<u>1,143,000</u>	<u>1,143,000</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 2	1,750,000	1,750,000
- Additions after valuation - cost	7,133	0
Less: accumulated depreciation	<u>(58,354)</u>	<u>(29,172)</u>
	1,698,779	1,720,828
Buildings - specialised at:		
- Independent valuation 2014 - level 3	20,064,091	20,174,155
- Additions after valuation - cost	2,989,793	706,110
Less: accumulated depreciation	<u>(665,465)</u>	<u>(354,901)</u>
	22,388,419	20,525,364
	<u>24,087,198</u>	<u>22,246,192</u>
Total land and buildings	<u>25,230,198</u>	<u>23,389,192</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	42,250	0
- Management valuation 2013 - level 3	0	28,369
- Additions after valuation - cost	0	70,009
Less accumulated depreciation	<u>0</u>	<u>(15,108)</u>
	42,250	83,270
Plant and equipment at:		
- Management valuation 2016 - level 3	3,723,300	0
- Management valuation 2013 - level 3	0	2,423,918
- Additions after valuation - cost	0	1,629,564
Less accumulated depreciation	<u>0</u>	<u>(607,721)</u>
	3,723,300	3,445,761
	<u>28,995,748</u>	<u>26,918,223</u>

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	1,143,000	0	0	0	0	0	0	0	1,143,000
Total land	1,143,000	0	0	0	0	0	0	0	1,143,000
Buildings - non-specialised	1,720,828	7,133	0	0	0	0	(29,182)	0	1,698,779
Buildings - specialised	20,525,364	2,283,683	(54,800)	0	0	0	(365,828)	0	22,388,419
Total buildings	22,246,192	2,290,816	(54,800)	0	0	0	(395,010)	0	24,087,198
Total land and buildings	23,389,192	2,290,816	(54,800)	0	0	0	(395,010)	0	25,230,198
Furniture and equipment	83,270	0	0	0	(16,543)	0	(24,477)	0	42,250
Plant and equipment	3,445,761	648,829	(186,492)	206,996	0	0	(391,794)	0	3,723,300
Total property, plant and equipment	26,918,223	2,939,645	(241,292)	206,996	(16,543)	0	(811,281)	0	28,995,748

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	Level 2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per hectare
Buildings - non-specialised	Level 2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per hectare
Buildings - specialised	Level 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
Furniture and equipment					
- Management valuation 2016	Level 3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
- Management valuation 2013	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2013	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Management valuation 2016	Level 2/3	Market approach using recent observable market data for similar assets, or Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Purchase costs for similar assets and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
- Management valuation 2013	Level 2	Market approach using recent observable market data for similar assets	Management valuation	June 2013	Purchase costs for similar assets and current condition (Level 2)

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
8 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Management valuation 2015 - level 3	114,340,023	114,340,023
- Additions after valuation - cost	1,289,300	0
Less accumulated depreciation	<u>(20,001,082)</u>	<u>(18,897,704)</u>
	95,628,241	95,442,319
Infrastructure - footpaths		
- Management valuation 2015 - level 3	461,040	461,040
- Additions after valuation - cost	18,923	0
Less accumulated depreciation	<u>(137,851)</u>	<u>(128,630)</u>
	342,112	332,410
Infrastructure - drainage		
- Management valuation 2015 - level 3	3,191,960	3,191,960
- Additions after valuation - cost	3,740	0
Less accumulated depreciation	<u>(1,110,934)</u>	<u>(1,046,963)</u>
	2,084,766	2,144,997
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	6,549,640	6,549,640
Less accumulated depreciation	<u>(2,055,293)</u>	<u>(1,675,158)</u>
	4,494,347	4,874,482
Infrastructure - other		
- Additions after valuation - cost	<u>16,751</u>	<u>0</u>
	16,751	0
Infrastructure - Airports		
- Management valuation 2015 - level 3	21,595,698	21,595,698
- Additions after valuation - cost	40,742	0
Less accumulated depreciation	<u>(480,342)</u>	<u>(305,431)</u>
	21,156,098	21,290,267
Infrastructure - Sewer		
- Management valuation 2015 - level 3	967,790	967,790
- Additions after valuation - cost	1,239	0
Less accumulated depreciation	<u>(406,694)</u>	<u>(385,473)</u>
	562,335	582,317
Infrastructure - Solid Waste		
- Management valuation 2015 - level 3	135,973	135,973
- Additions after valuation - cost	235	0
Less accumulated depreciation	<u>(34,502)</u>	<u>(27,353)</u>
	101,706	108,620
	<u>124,386,356</u>	<u>124,775,412</u>

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	95,442,319	1,289,300	0	0	0	0	(1,103,378)	0	95,628,241
Infrastructure - footpaths	332,410	18,923	0	0	0	0	(9,221)	0	342,112
Infrastructure - drainage	2,144,997	3,740	0	0	0	0	(63,971)	0	2,084,766
Infrastructure - parks and ovals	4,874,482	0	0	0	0	0	(380,135)	0	4,494,347
Infrastructure - other	0	16,751	0	0	0	0	0	0	16,751
Infrastructure - Airports	21,290,267	40,742	0	0	0	0	(174,911)	0	21,156,098
Infrastructure - Sewer	582,317	1,239	0	0	0	0	(21,221)	0	562,335
Infrastructure - Solid Waste	108,620	235	0	0	0	0	(7,149)	0	101,706
Total infrastructure	<u>124,775,412</u>	<u>1,370,930</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,759,986)</u>	<u>0</u>	<u>124,386,356</u>

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - other	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airports	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewer	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Solid Waste	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2016	2015
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	142,092	163,904
Accrued interest on debentures	9,876	11,592
Accrued salaries and wages	6,376	51,034
ATO liabilities	52,830	(11)
Rates Received in Advance	11,215	10,221
	<u>222,389</u>	<u>236,740</u>

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	185,608	202,834
	<u>185,608</u>	<u>202,834</u>
Non-current		
Secured by floating charge		
Debentures	1,125,813	1,311,421
	<u>1,125,813</u>	<u>1,311,421</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for Annual and Sick Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	134,495	87,279	221,774
Non-current provisions	0	29,226	29,226
	<u>134,495</u>	<u>116,505</u>	<u>251,000</u>
Additional provision	23,229	37,148	60,377
Amounts used	0	(5,517)	(5,517)
Balance at 30 June 2016	<u>157,724</u>	<u>148,136</u>	<u>305,860</u>
Comprises			
Current	157,724	103,027	260,751
Non-current	0	45,109	45,109
	<u>157,724</u>	<u>148,136</u>	<u>305,860</u>

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave reserve	67,693	1,758	0	69,451	67,693	1,081	0	68,774	46,498	21,195	0	67,693
Plant reserve	902,262	113,424	(350,000)	665,686	902,262	104,404	(350,000)	656,666	734,208	200,582	(32,528)	902,262
Ongerup Effluent	112,640	12,924	0	125,564	112,640	11,798	0	124,438	100,188	12,452	0	112,640
Area Promotion	27,619	717	0	28,336	27,619	441	0	28,060	26,969	650	0	27,619
Swimming Pool												
Upgrade	34,535	896	0	35,431	34,535	551	0	35,086	33,722	813	0	34,535
Land												
Development	610,332	8,952	0	619,284	610,332	9,744	(300,000)	320,076	370,545	239,787	0	610,332
Unspent Grants												
Reserve	0			0	0	0	0	0	21,062	43	(21,105)	0
Computer												
Replacement	7,291	189	0	7,480	7,291	116	0	7,407	31,623	668	(25,000)	7,291
Waste Disposal	163,464	58,755	0	222,219	163,464	48,880	0	212,344	159,618	3,846	0	163,464
Royalties for												
Regions Unspent												
Grant	1,138	29	0	1,167	1,138	18	0	1,156	1,111	27	0	1,138
Future Funds	14,842	385	0	15,227	14,842	237	0	15,079	14,493	349	0	14,842
	<u>1,941,816</u>	<u>198,029</u>	<u>(350,000)</u>	<u>1,789,845</u>	<u>1,941,816</u>	<u>177,270</u>	<u>(650,000)</u>	<u>1,469,086</u>	<u>1,540,037</u>	<u>480,412</u>	<u>(78,633)</u>	<u>1,941,816</u>

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

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

Name of Reseve	Anticipated date of use	Purpose of the reserve
Leave reserve	Never	to be used to fund annual and long service leave requirements
Plant reserve	Never	to be used for the purchase of major plant
Ongerup Effluent	Never	to be used for the maintenance of the Ongerup Effluent System
Area Promotion	Never	to be used for the promotion of the Gnowangerup Shire
Swimming Pool Upgrade	Never	to be used to assist with upgrade of the Gnowangerup Swimming Pool
Land	Never	to be used to fund the purchase of or development of land and buildings and building renewal
Computer	Never	to be used to fund the maintenance and replacement of the administration computer system
Waste Disposal	Never	to be used to fund waste disposal in the Shire, including rehabilitation, transfer stations and post closure of sites
Royalties for Regions Unspent	30/06/2017	to be used to hold unspent Royalties funding.
Future Funds	Never	to be used for contributions towards major externally grant funded projects and programs within the Shire of Gnowangerup.

SHIRE OF GNOWANGERUP
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FOR THE YEAR ENDED 30TH JUNE 2016

13. REVALUATION SURPLUS

	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	14,868,286	0	0	0	14,868,286	14,868,286	0	0	0	14,868,286
Plant and equipment	296,081	206,996	0	206,996	503,077	296,081	0	0	0	296,081
Infrastructure - roads	70,265,613	0	0	0	70,265,613	0	70,265,613	0	70,265,613	70,265,613
Infrastructure - drainage	1,692,771	0	0	0	1,692,771	0	1,692,771	0	1,692,771	1,692,771
Infrastructure - parks and ovals	1,960,964	0	0	0	1,960,964	0	1,960,964	0	1,960,964	1,960,964
Infrastructure - Airports	20,843,917	0	0	0	20,843,917	0	20,843,917	0	20,843,917	20,843,917
Infrastructure - Sewer	492,893	0	0	0	492,893	0	492,893	0	492,893	492,893
	110,420,525	206,996	0	206,996	110,627,521	15,164,367	95,256,158	0	95,256,158	110,420,525

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
	\$	\$	\$
Cash and cash equivalents	<u>2,404,876</u>	<u>1,718,355</u>	<u>4,465,229</u>

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

Net result	(24,130)	769,665	2,299,793
Non-cash flows in Net result:			
Depreciation	2,571,267	1,506,295	1,547,096
(Profit)/Loss on sale of asset	68,518	0	331,426
Fair value adjustments to fixed assets			
at fair value through profit or loss	0	0	4,625
Loss on revaluation of fixed assets	16,543	0	79,805
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(454,169)	32,721	31,544
(Increase)/Decrease in inventories	7,675	0	(9,089)
Increase/(Decrease) in payables	(14,351)	(32,721)	39,247
Increase/(Decrease) in provisions	54,861	44,644	9,207
Grants contributions for the development of assets	(1,674,514)	(1,837,639)	(1,919,078)
Self Supporting Loan Principal repair			(51,331)
Net cash from operating activities	<u>551,700</u>	<u>482,965</u>	<u>2,363,245</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

	2016	2015
	\$	\$
Bank overdraft limit	500,000	500,000
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(1,374)	(158)
Total amount of credit unused	<u>508,626</u>	<u>509,842</u>

Loan facilities

Loan facilities - current	185,608	202,834
Loan facilities - non-current	1,125,813	1,311,421
Total facilities in use at balance date	<u>1,311,421</u>	<u>1,514,255</u>

Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>
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SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

15. CONTINGENT LIABILITIES

A claim for Native Title has been brought over a large area of land which falls within the Shire of Gnowangerup district. A settlement offer is currently being considered by the South West Land and Sea Council (which encompasses the land within the Shire of Gnowangerup). At this time it remains difficult to quantify the implications of this claim.

16. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	11,830	11,830
- later than one year but not later than five years	11,831	23,661
- later than five years	0	0
	<u>23,661</u>	<u>35,491</u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	0	2,014,013
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	2,014,013

The capital expenditure project outstanding at the end of the 2015 reporting period represented the construction of a new swimming pool complex.

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
General purpose funding	106,087	0
Law, order, public safety	1,825,609	1,830,701
Health	429,308	670,865
Education and welfare	266,367	272,291
Housing	2,166,526	1,200,402
Community amenities	2,107,194	2,490,375
Recreation and culture	23,379,421	19,502,757
Transport	123,304,970	120,163,927
Economic services	162,153	146,422
Other property and services	1,054,414	4,281,823
Unallocated	1,941,750	6,163,695
	<u>156,743,799</u>	<u>156,723,258</u>

SHIRE OF GNOWANGERUP
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	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	2.08	3.72	1.13
Asset sustainability ratio	1.59	1.19	1.31
Debt service cover ratio	3.48	7.39	3.78
Operating surplus ratio	(0.41)	0.10	(0.07)
Own source revenue coverage ratio	0.60	0.67	0.76

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
---------------	--

Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
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Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
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Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$
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Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

- (a) For 2016, the Current, Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by the change to the payment of FAG's during the year end 30 June 2016, which saw the advance payment for the following year cease. This created a timing difference, which resulted in an amount of some \$648,897.
- (b) For 2015, the Current, Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGs) of \$648,897, which was received prior to year end.
- (c) For 2014, the Current, Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by the change to the payment of FAG's during the year ended 30 June 2014 which saw the advance payment for the following year cease. This created a timing difference which resulted in an amount of some \$593,604.

Items (a), (b) and (c) mentioned above are considered to be "one-off" timing in nature and, if they are ignored, the calculations disclosed in the columns above would be as follows:

	2016	2015	2014
Current ratio	3.16	2.63	2.17
Debt service cover ratio	5.88	5.00	5.87
Operating surplus ratio	(0.25)	(0.07)	0.08

SHIRE OF GNOWANGERUP
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20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Builders Registration Board	0	5,048	(5,048)	0
BCITF	0	2,483	(2,483)	0
Hall Hire Bonds	247	304	(250)	301
Agricultural Society	4,354	68	0	4,422
Early Morning Swimming Bonds	452	356	(450)	358
Gnp Townscape Committee	3,063	48	0	3,111
Gnp Airstrip Donation	1,243	19	0	1,262
Gnp & District Tourism Promotion	0	568	0	568
Housing Bonds	10,353	1,163	(907)	10,609
GESB Trust	339	5	0	344
Retention Bonds	31,912	0	(31,912)	0
Nomination Deposits	0	400	(400)	0
Unclaimed Rates	55	1	0	56
PA Hire Bond	0	508	0	508
Micro-Chip Deposits	0	322	(210)	112
	<u>52,018</u>			<u>21,650</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Buildings								
<u>Housing</u>								
Water Corporation Office	21,538	0	0	(21,538)	0	0	0	0
<u>Recreation and culture</u>								
Old Tennis Clubhouse	27,150	0	0	(27,150)	0	0	0	0
Old Tennis Storage Shed	5,631	0	0	(5,631)	0	0	0	0
Old Tennis Club Toilet Block	480	0	0	(480)	0	0	0	0
Plant and Equipment								
<u>Transport</u>								
Utility GN0028	12,600	11,364	0	(1,236)	7,000	7,000	0	0
Utility GN0048	10,150	11,364	1,214	0	7,000	7,000	0	0
Loader GN0011	46,000	20,954	0	(25,046)	20,000	20,000	0	0
Holden Caprice GN00	36,430	39,091	2,661	0	80,000	80,000	0	0
Fuel Tanker Trailer	1,284	0	0	(1,284)	0	0	0	0
Car Trailer	0	0	0	0	0	0	0	0
CAT 12H Grader GN005	80,028	90,000	9,972	0	90,000	90,000	0	0
Pool Vehicle GN002	0	0	0	0	8,000	8,000	0	0
	<u>241,291</u>	<u>172,773</u>	<u>13,847</u>	<u>(82,365)</u>	<u>212,000</u>	<u>212,000</u>	<u>0</u>	<u>0</u>

SHIRE OF GNOWANGERUP
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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments Actual Budget \$ \$		Principal 30 June 2016 Actual Budget \$ \$		Interest Repayments Actual Budget \$ \$	
Housing								
L 277 - GROH Housing	566,249		71,163	71,163	495,086	495,086	22,232	23,043
Community amenities								
L 270 - Yongergnow	43,778		11,533	11,533	32,245	32,245	2,532	2,636
Recreation and culture								
L 267 - Borden Pavilion	49,674		23,995	23,996	25,679	25,678	2,610	3,021
L 273 - Gnp Community Centre	203,802		13,417	13,417	190,385	190,385	12,274	12,391
L 278 - Borden Pavilion	134,856		14,461	14,461	120,395	120,395	5,461	5,632
L 279 - Gnp Complex Synthetic Turf Swimming Pool	240,188 0		14,198 0	14,198 11,022	225,990 0	225,990 188,978	9,956 0	10,011 15,109
Other property and services								
	1,238,547	0	148,767	159,790	1,089,780	1,278,757	55,065	71,843
<u>Self Supporting Loans</u>								
Housing								
Loan 274 - Homes for the Aged	57,064		3,757	3,757	53,307	53,307	3,437	3,469
Recreation and culture								
L 272 - Gnp Bowling Club	25,994		25,994	25,994	0	0	1,224	1,229
L 275 - Gnp Sporting Complex	133,373		16,834	16,835	116,539	116,538	5,180	5,246
L 276 - Borden Pavilion	59,277		7,482	7,482	51,795	51,795	2,302	2,331
	275,708	0	54,067	54,068	221,641	221,640	12,143	12,275
	1,514,255	0	202,834	213,858	1,311,421	1,500,397	67,208	84,118

Self supporting loans were financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

**SHIRE OF GNOWANGERUP
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22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

The Shire established an overdraft facility of \$500,000 with the National Australia Bank to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was \$nil.

SHIRE OF GNOWANGERUP
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23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV - Residential	0.139212	326	2,609,435	363,265	(805)	0	362,460	363,263	0	0	363,263
GRV - Commercial	0.139212	35	409,031	56,942	36	0	56,978	56,942	0	0	56,942
GRV - Industrial	0.139212	20	191,692	26,686	1,496	0	28,182	26,686	0	0	26,686
GRV - Amelup Tourism	0.139212	4	130,780	18,206	0	0	18,206	18,206	0	0	18,206
Unimproved value valuations											
UV - Rural	0.010887	357	252,420,510	2,748,102	554	0	2,748,656	2,748,102	0	0	2,748,102
Sub-Total		742	255,761,448	3,213,201	1,281	0	3,214,482	3,213,199	0	0	3,213,199
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Residential	687	79	128,519	54,273	0	0	54,273	54,273			54,273
GRV - Commercial	687	18	43,215	12,366	0	0	12,366	12,366			12,366
GRV - Industrial	687	9	20,086	6,183	0	0	6,183	6,183			6,183
GRV - Amelup Tourism	687	1	4,160	687	0	0	687	687			687
Unimproved value valuations											
UV - Rural	687	22	787,390	15,114	0	0	15,114	15,114			15,114
UV - Mining	687	5	80,532	3,435	328	0	3,763	3,435			3,435
Sub-Total		134	1,063,900	92,058	328	0	92,386	92,058	0	0	92,058
		876	256,825,350	3,305,259	1,609	0	3,306,868	3,305,257	0	0	3,305,257
Discounts/concessions (refer note 28)							(9,103)				(9,103)
Total amount raised from general rate							3,297,765				3,296,154
Specified Area Rate (refer note 25)							51,824				52,304
Waste Collection Rate (refer note xx)							133,599				132,200
Ex-gratia rates							8,289				(11,350)
Totals							3,491,477				3,469,308

SHIRE OF GNOWANGERUP
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24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>754,796</u>	<u>2,260,957</u>	<u>2,260,957</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	595,101	1,960,125	1,960,125
Restricted	1,809,775	2,505,104	2,505,104
Receivables			
Rates outstanding	160,215	149,152	149,152
Sundry debtors	441,142	17,555	17,555
GST receivable	64	60	60
Loans receivable - clubs/institutions	29,306	54,070	54,070
Accrued Interest on Self Supporting Loans	973	1,105	1,105
Inventories			
Fuel and materials	20,511	28,186	28,186
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(142,092)	(163,904)	(163,904)
Accrued interest on debentures	(9,876)	(11,592)	(11,592)
Accrued salaries and wages	(6,376)	(51,034)	(51,034)
ATO liabilities	(52,830)	11	11
Rates Received in Advance	(11,215)	(10,221)	(10,221)
Current portion of long term borrowings			
Secured by floating charge	(185,608)	(202,834)	(202,834)
Provisions			
Provision for annual and sick leave	(157,724)	(134,495)	(134,495)
Provision for long service leave	(103,027)	(87,279)	(87,279)
Unadjusted net current assets	<u>2,388,339</u>	<u>4,054,009</u>	<u>4,054,009</u>
Adjustments			
Less: Reserves - restricted cash	(1,789,845)	(1,941,816)	(1,941,816)
Less: Loans receivable - clubs/institutions	(29,306)	(54,070)	(54,070)
Add: Secured by floating charge	185,608	202,834	202,834
Adjusted net current assets - surplus/(deficit)	<u>754,796</u>	<u>2,260,957</u>	<u>2,260,957</u>

Difference

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value \$	Rate Revenue \$	Interim Rate Revenue \$	Back Rate Revenue \$	Total Specified Area Rate Revenue	Budget Rate Revenue \$	Budget Back Rate Revenue \$	Budget Interim Rate Revenue \$
Gnp Sporting Complex	GRV	0.002957	2,606,679	7,720	50	0	7,770	7,709	0	0
Gnp Sporting Complex	UV	0.000127	112,826,500	14,317	2	0	14,319	14,317	0	0
Borden Pavilion	GRV	0.001983	259,154	518	0	0	518	528	0	0
Borden Pavilion	UV	0.000107	91,123,200	9,750	0	0	9,750	9,750	0	0
Ongerup Effluent	GRV	0.046560	429,555	19,467	0	0	19,467	20,000	0	0
				51,772	52	0	51,824	52,304	0	0

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	Rate Applied to Costs \$	Rate Set Aside to Reserve \$	Reserve Applied to Costs \$	Budget Rate Applied to Costs \$	Budget Rate Set Aside to Reserve \$	Budget Reserve Applied to Costs \$
Gnp Sporting Complex	Applied to all residents in the old Gnowangerup Townsite Ward and Gnowangerup Rural Ward to contribute towards the loan repayments (current and future) for the Gnowangerup Sporting Complex Facility.		7,709	0	0	7,709	0	0
Gnp Sporting Complex			14,317	0	0	14,317	0	0
Borden Pavilion	Applied to all residents in the old Borden Town and Borden Rural Ward to contribute towards the loan repayments for the Borden Pavilion Facility.		518	0	0	528	0	0
Borden Pavilion			9,750	0	0	9,750	0	0
Ongerup Effluent	Applied to all residents in the Ongerup townsite to contribute towards the maintenance of the Ongerup Effluent System and the renewal and replacement of		19,467	0	0	20,000	0	0
			51,761	0	0	52,304	0	0

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

27. WASTE COLLECTION RATE - 2015/16 FINANCIAL YEAR

Waste Collection Rate	Basis of Valuation	Rate in \$	Minimum Rate \$	Rateable Value \$	Rate Revenue \$	Interim Rate Revenue \$	Total Specified Area Rate Revenue	Budget Rate Revenue \$	Budget Back Rate Revenue \$	Budget Interim Rate Revenue \$
Waste Collection Rate	GRV	0.000001	200	3,464,407	55,600	100	55,700	54,400	0	0
Waste Collection Rate	UV	0.000001	200	240,030,279	77,800	99	77,899	77,800	0	0
				<u>243,494,686</u>	<u>133,400</u>	<u>199</u>	<u>133,599</u>	<u>132,200</u>	<u>0</u>	<u>0</u>

The waste collection rate is imposed to assist Council meet some of the costs associated with managing waste within the Shire.

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

Waivers or Concessions

Rate of Fee and Charge to which the Waiver or Concession is Granted	Type	Concession % or \$	Actual \$	Budget \$
A213	Concession	50%	2,715	2,715
A293	Concession	50%	4,561	4,561
A314	Concession	50%	742	742
A556	Concession	50%	1,086	1,086
			<u>9,103</u>	<u>9,103</u>

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concessio
A213	50% concession on general rates only	To provide a lower general rates to properties within the Amelup Tourism Precinct to assist	Assist promote the tourist industry in the Amelup Tourism Precinct
A293	50% concession on general rates only	promote the tourist industry in the Amelup	
A314	50% concession on general rates only	Tourism Precinct	
A556	50% concession on general rates only		

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	23-Sep-15	0	0.00%	11.00%
Option Two				
First Instalment	23-Sep-15	0	0.00%	11.00%
Second Instalment	23-Nov-15	10	5.50%	11.00%
Third Instalment	23-Jan-16	10	5.50%	11.00%
Fourth Instalment	23-Mar-16	10	5.50%	11.00%
			Revenue	Budgeted Revenue
			\$	\$
Interest on unpaid rates			18,506	13,000
Interest on instalment plan			12,435	11,000
Charges on instalment plan			4,920	4,500
Interest on Deferred Rates			2,010	860
			37,871	29,360

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

30. FEES & CHARGES	2016	2015
	\$	\$
Governance	4,616	1,063
General purpose funding	17,440	13,690
Law, order, public safety	6,060	4,225
Education and welfare	12,979	13,566
Housing	83,254	84,271
Community amenities	120,965	123,703
Recreation and culture	18,276	16,650
Transport	101	100
Economic services	19,917	16,812
Other property and services	43,986	43,387
	<u>327,594</u>	<u>317,467</u>

Two new fees were added to the Schedule of Fees and Charges during the reporting period. The first related to the imposition of a fee of \$0.08 per litre for receiving septic waste from outside the Shire district. The second related to the inclusion of cat registration fees imposed under state legislation.

31. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	0	25,000
General purpose funding	617,215	1,904,845
Law, order, public safety	105,833	62,135
Recreation and culture	59,554	134,449
Transport	141,375	123,301
Other property and services	1,000	0
	<u>924,977</u>	<u>2,249,730</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	931,764
Recreation and culture	725,000	537,761
Transport	949,514	449,553
	<u>1,674,514</u>	<u>1,919,078</u>
	<u>2,599,491</u>	<u>4,168,808</u>

32. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>23.5</u>	<u>23.0</u>
-------------	-------------

33. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	72,000	80,000	72,000
President's allowance	15,000	15,000	15,000
Deputy President's allowance	3,000	3,000	3,000
Travelling expenses	4,995	6,500	2,898
Telecommunications allowance	5,940	5,940	5,940
	<u>100,935</u>	<u>110,440</u>	<u>98,838</u>

**SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

34. MAJOR LAND TRANSACTIONS

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

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

36. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,404,876	4,465,229	2,404,876	4,465,229
Investments	6,186	6,186	71,554	71,554
Receivables	930,122	530,022	930,122	530,022
	<u>3,341,184</u>	<u>5,001,437</u>	<u>3,406,552</u>	<u>5,066,805</u>
Financial liabilities				
Payables	222,389	236,740	222,389	236,740
Borrowings	1,311,421	1,514,255	1,435,107	1,614,999
	<u>1,533,810</u>	<u>1,750,995</u>	<u>1,657,496</u>	<u>1,851,739</u>

Fair value is determined as follows:

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	24,049	44,652
- Statement of Comprehensive Income	24,049	44,652

Notes:

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

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	99%	92%
- Overdue	1%	8%

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	222,389	0	0	222,389	222,389
Borrowings	245,589	838,866	503,641	1,588,096	1,311,421
	<u>467,978</u>	<u>838,866</u>	<u>503,641</u>	<u>1,810,485</u>	<u>1,533,810</u>
<u>2015</u>					
Payables	236,740	0	0	236,740	236,740
Borrowings	272,927	880,055	708,048	1,861,030	1,514,255
	<u>509,667</u>	<u>880,055</u>	<u>708,048</u>	<u>2,097,770</u>	<u>1,750,995</u>

SHIRE OF GNOWANGERUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	25,679	0	32,244	0	0	1,253,498	1,311,421	4.67%
Weighted average Effective interest rate	6.80%	0.00%	6.34%	0.00%	0.00%	4.58%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	25,994	49,674	0	43,776	0	1,394,811	1,514,255	4.02%
Weighted average Effective interest rate	6.27%	6.90%	0.00%	6.44%	0.00%	4.52%		

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF GNOWANGERUP**

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Gnowangerup, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Management's responsibility for the financial report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), and for such internal control as Management determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatements of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Opinion

In our opinion, the financial report of the Shire of Gnowangerup

- i. gives a true and fair view of the Shire of Gnowangerup's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Statutory Compliance

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

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE

Partner

Bunbury, Western Australia

Dated this 14th day of November 2016

**SHIRE OF GNOWANGERUP
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	0.86	0.87	0.69
Asset renewal funding ratio	0.81	0.65	*

The above ratios are calculated as follows:

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

*** - The Shire are unable to provide an Asset Renewal Funding Ratio for 2014 as the information required was not available.**

14 November 2016

Mr K House
President
Shire of Gnowangerup
28 Yougenup Road
GNOWANGERUP WA 6335

Dear Keith

SHIRE OF GNOWANGERUP
30 JUNE 2016 MANAGEMENT REPORT

Following completion of our 30 June 2016 audit, we provide our Management Report and audit recommendations.

1.0 Our Audit Approach

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the Shire of Gnowangerup. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate Shire of Gnowangerup's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of Shire of Gnowangerup's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the Shire of Gnowangerup perceives should be tested.

Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report.

There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.

2.0 Assessment of Fraud and Error

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

3.0 Significant Difficulties Encountered during the Audit

During the course of our audit, there were no areas where we experienced significant difficulties.

4.0 Audit Adjustments and Unadjusted Audit Differences

During the course of our audit, we did not identify any misstatements considered to be material at a financial report level and therefore no adjustment was required to be reflected within the final audited financial report.

5.0 Accounting Policies

We confirm to you that we are not aware of any changes to the accounting policies of the Shire of Gnowangerup since 30 June 2015 in respect of the preparation of the 30 June 2016 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

6.0 Commitments and Contingencies

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the Shire of Gnowangerup, apart from those already disclosed.

7.0 Subsequent Events

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the Shire of Gnowangerup, apart from those already disclosed.

8.0 Financial Ratio Performance Measures

A review of Shire of Gnowangerup's financial ratios as included within Note 19 of the financial report indicates the following ratio did not meet the standard based on Department of Local Government and Communities guidelines:

-) Operating Surplus Ratio, reported at -0.41, compared to the Departments benchmark of 0.01.

We recommend Council continue to consider the impact on ratios and long term sustainability when making decisions regarding budgets and operational expenditures, asset renewals and long term financial plans.

We would like to acknowledge the following Shire of Gnowangerup ratios were within the Department guidelines:

-) Current ratio, reported at 2.08 compared to the Departments benchmark of greater than 1.0;
-) Debt service cover ratio, reported at 3.48 compared to Departments benchmark of greater than 2.0;
-) Own source revenue coverage ratio, reported at 0.6 compared to the Departments benchmark of 0.40;
-) Asset consumption ratio, reported at 0.86 compared to the Departments benchmark of 0.50; and
-) Asset Renewal Ratio, reported at 0.81, compared to the Departments benchmark of 0.75.

9.0 Financial Management Systems Review and Regulation 17 Review Recommendations

Prior to 30 June 2016, we undertook a financial management systems review on behalf of the Chief Executive Officer.

Our inquiries indicate recommendations arising from our financial management systems review included in our report dated 28 June 2016 have either been implemented, in progress or are scheduled to be implemented in 2016/17.

Please note we have not repeated recommendations within this management report which we included within our 2016 FMSR Report.

10.0 Local Government Act Compliance Measures

In conjunction with our review of the financial statements, we also perform a review of the Shire of Gnowangerup's compliance with the Local Government Act.

Our review of compliance with the Local Government Act and Financial Management Regulations did not indicate any issues of non-compliance which required reporting.

11.0 Other Matters

In accordance with the terms of our engagement letter, we have a responsibility to provide an opinion in respect to the Shire of Gnowangerup's annual financial report as to whether it is free from material misstatement. Our audit report for 30 June 2016 is unqualified with our opinion stating the financial report presents fairly the financial position of the Shire of Gnowangerup, as at and for the year ending 30 June 2016.

Our audit indicated subject to recommendations raised within our 2016 FMSR report and Appendix 1 attached, procedures and controls in respect to the Shire of Gnowangerup's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period.

Please refer to Appendix 1 for our audit recommendations in relation to the 30 June 2016 audit. We provide these comments and recommendations to suggest improvements to Shire of Gnowangerup's internal controls and procedures.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

We would like to take this opportunity to thank Shelley, Vin, Carol and the finance team for the assistance provided to us during our audit.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

AMD Chartered Accountants

A handwritten signature in dark ink, appearing to read 'TIM PARTRIDGE', with a long horizontal flourish extending to the right.

TIM PARTRIDGE FCA
Partner

cc

Shelley Pike
Chief Executive Officer

APPENDIX 1
Audit Recommendations for the year ended 30 June 2016

GUIDANCE TO FINDINGS RATING / IMPLICATION

Findings identified during the final audit have been weighted in accordance with the following scale:

- Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.*
- Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.*
- Minor: Those findings that are not of primary concern however still warrant action being taken.*

AUDIT FINDINGS

1. SELF SUPPORTING LOANS

Finding Rating: Moderate

During the audit we identified that there are no self supporting loan contracts in place in respect to existing self supporting loans disclosed within Note 22 of Council's financial report, as follows:

-) Loan 274 – Homes for the Aged
-) Loan 272 – Gnowangerup Bowling Club
-) Loan 275 – Gnowangerup Sporting Complex; and
-) Loan 276 – Borden Pavilion.

Implication

Insufficient records and agreements held to evidence terms and conditions of self supporting loans.

Recommendation

We recommend that loan contracts be entered into, and copies retained for all future self supporting loans.

Management Comment

Acknowledged. In regards to the existing SSLs, 272 was paid out in June 2016 and, in relation to 274, a contract has been drafted and sent out for execution. Loans 275 & 276 relate to improvements to pavilions and sporting complexes. The repayments for each of these loans are funded by separate Specified Area Rates levied by Council, and therefore do not require loan agreements.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2016

2. GST RECONCILIATION

Finding Rating: Moderate

Audit procedures identified that GST was not correctly reconciled as at 30 June 2016 and that an error of approximately \$30,000 had occurred relating to the March BAS which requires subsequent adjustment.

Implication

Australian Taxation Office balances payable not correctly reconciled.

Recommendation

We recommend the error identified be subsequently amended within the next BAS lodgment to ensure GST payable/receivable accounts within Council's accounting software correctly reflect Australian Taxation Office liabilities.

Management Comment

Manual adjustment has been made to October BAS.

3. EMPLOYEE ENTITLEMENTS – LONG SERVICE LEAVE

Finding Rating: Moderate

Our audit procedures identifies the following errors within provision for long service leave calculations as at 30 June 2016.

- (i) We identified instances where the pay rate used to calculate individual employee leave accruals were not based on current hourly pay rates;
- (ii) Four terminated employees remained on the long service leave listing with a long service leave liability accrual at 30 June 2016.

Implication

Risk of misstatement of employee entitlement provisions.

Recommendation

- (i) We recommend in accordance with Australian Accounting Standard, employee entitlements at 30 June 2016 are to be calculated using wage rates at which benefits are expected to be paid;
- (ii) We recommend terminated employees be removed from payroll and annual leave reports.

Management Comment

Point (i) noted. In relation to point (ii), the Payroll Officer has removed terminated employees from the payroll/leave system and will adjust her procedures accordingly.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2016

4. EMPLOYEE ENTITLEMENTS – ANNUAL LEAVE

Finding Rating: Minor

Our audit procedures identified the following matters relating to provision for annual leave calculation as at 30 June 2016.

- (i) An error in the excel spreadsheet resulted in a double up of leave loading on the annual leave provision as at 30 June 2016 (error subsequently corrected at our request);
- (ii) We identified instances where the pay rate used to calculate individual employee annual leave accruals were not based on current hourly pay rates;
- (iii) Annual leave is not being discounted as per Australian Accounting Standards requirements as at 30 June 2016; and

Implication

Risk of misstatement of employee entitlement provisions.

Recommendation

- (i) We recommend leave entitlement calculation be checked to ensure calculations and formulas are correct; and
- (ii) We recommend annual leave is discounted as per Australian Accounting Standards as at 30 June each year.

Management Comment

The spreadsheet used for calculating the provision for annual leave contained an incorrect formula, which resulted in the calculation error. A new template with correct formulae has been developed, which will be used in future. The new spreadsheet also correctly discounts annual leave as per Australian Accounting Standards.

5. WORKS COSTINGS

Finding Rating: Minor

We note a \$95,302.57 allocation journal to public works overheads was completed at 30 June 2016.

This indicates public works overhead recovery rates were not correctly allocated during the 2015/2016 financial year.

Implication

Risk of under/over allocation of public works overheads.

Recommendation

We recommend allocation rates and allocations to jobs be reviewed periodically during the year to ensure there are no major under or over allocations.

Management Comment

Allocations are reviewed at budget review time, and then periodically through-out the year. The impact is relatively immaterial, as the allocation process is only a reallocation of internal costs from one functional area to another. Whilst it may impact on the true cost of a service, it does not impact on the Council from a cash perspective.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2016

6. UNRECORDED CREDITORS

Finding Rating: Minor

During our testing for unrecorded liabilities, we identified various creditor invoices received in July, which related to the financial year ended 30 June 2016 which were not brought to account at 30 June 2016. Details as follows;

DATE	SUPPLIER	AMOUNT
June 2016	Palmer Earthmoving	\$10,179.40
June 2016	Hewer Consulting Services	\$15,454.18
June 2016	Mining and Drilling Services	\$27,355.00

Implication

Risk of material misstatement or omission within accounting records.

Recommendation

Supplier invoices should be brought to account in the correct period. Therefore invoices received in July relating to June should be input as trade creditors or as committed expenses at year end.

Management Comment

Noted. Creditors Officer was on leave and acting officer has been educated on the importance of processing June payments as at the June period.

7. INVENTORY RECONCILIATION

Finding Rating: Minor

Review of the inventory reconciliation as at 30 June 2016 identified that fuel and materials on hand were not correctly reconciled to the general ledger accounts.

Implication

Misstatement of inventory on hand.

Recommendation

We recommend as a part of the year end reconciliation process of inventory on hand including fuel and materials be subject to a stocktake and reconciliation completed within Council's accounting software.

Management Comment

Rectified. Fuel reconciliations are now conducted weekly instead of monthly and ALL relevant general ledger accounts form part of the reconciliation.

APPENDIX 1
Audit Recommendations for the year ended 30 June 2016

8. NON RATEABLE PROPERTIES

Finding Rating: Minor

During our review of the non rateable properties listing provided at the time of audit, various private companies were identified as being included on the listing.

Our enquires indicated reasons for this included:

-) Private companies owning former titles which have subsequently been amalgamated;
-) Private companies which have had amendments to their property titles; and
-) One instance relating to a private company formally liquidated, dating back to 2002.

Implication

Non ratable property listing included incorrect land owner/property data.

Recommendation

We recommend the non ratable property listing be reviewed and amendments made as required, to ensure the listing included only genuine non ratable properties.

Management Comment

Non ratable property listing has been reviewed and amended as recommended.

5. CLOSURE

There being no further business President Cr K House closed the meeting at 2:40pm