



ANNUAL REPORT

FOR YEAR ENDED

30 JUNE 2016

TABLE OF CONTENTS

PRESIDENT'S REPORT	1
CHIEF EXECUTIVE OFFICER'S REPORT	2
FINANCIAL REPORT FOR THE YEAR ENDED 30 TH JUNE 2016.....	3
INTEGRATED PLANNING AND REPORTING.....	62
PAYMENTS TO EMPLOYEES	63
PUBLIC INTEREST DISCLOSURE.....	64
FREEDOM OF INFORMATION.....	65
REGISTER OF MINOR COMPLAINTS	66
DISABILITY ACCESS AND INCLUSION PLAN	67
RECORD KEEPING	68
Background.....	68
Minimum Compliance Requirements.....	69
Electronic Records.....	69

PRESIDENT'S REPORT

I am pleased to present my report for the 2015/2016 financial year.

The Shire of Laverton continued to make progress during the year in question. The review of the Main Street Project will ensure a positive outcome for the town.

Other major projects include the continuation of the upgrading of the Great Central Road. Funding commitments have been received from both State and Federal Governments and sealing of sections of the road will commence in the 2016/2017 financial year.

2015/2016 saw planning for the Community Hub Project commence. Various sources of funding were accessed and continue to be sourced. It is anticipated that architectural plans for the Project will be completed in 2017.

There are four major aspects to the Community Hub Project, that is:

- Construction of a new swimming pool;
- Construction of a new recreation/community centre;
- Refurbishment of the Laverton Town Hall; and
- General landscaping of the surrounding areas.

During the year, Council continued its support of community events including Australia Day, Anzac Day, Remembrance Day, Naidoc Week and the Laverton Race Day.

I would like to thank Shire staff and community volunteers for staging these successful events.

I would also like to thank my fellow councillors for their support and assistance.

Welcome to Councillors Rex Ryles, Deanne Ross, Robin Prentice and Des Cannons who were elected to Council in October 2015.

Finally I would like to extend my appreciation to the staff of the Shire of Laverton for their efforts during the year and their commitment to Laverton.

Patrick Hill
President
Shire of Laverton

CHIEF EXECUTIVE OFFICER'S REPORT

Whilst not in the position of Chief Executive Officer at the time, I am pleased to provide a brief report on activities in the 2015-2016 financial year.

A number of projects budgeted were not completed in the year under review, however, in the main, these projects were not high priority projects and were carried over to 2016/2017.

Council and staff continue to progress the significant capital works projects which include the Main Street upgrade, Community Hub and Great Central Road upgrade.

From a workforce point of view, the turnover in staff was relatively high, however steps have been taken to ensure we have a stable and experienced workforce both in the Shire Works and Services area and the Administration area.

As noted in the 2015/2016 Audit Report, there were a number of significant compliance breaches in 2015-2016.

I am pleased to report that Council and staff have addressed the issues raised and that similar non-compliance will not occur in 2016/2017.

In conclusion, I would like to acknowledge the work done by all Councillors and staff.

Council has committed to a number of significant projects during 2015/2016 which required considerable time and effort from all concerned.

Some of these projects were completed and some will be completed over the next two years.

Pascoe Durtanovich
Acting Chief Executive Officer
Shire of Laverton

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	4
Statement of Comprehensive Income by Nature or Type	5
Statement of Comprehensive Income by Program	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Rate Setting Statement	10
Notes to and Forming Part of the Financial Report	11
Independent Audit Report	59
Supplementary Ratio Information	61

Principal place of business:
Address
9 MacPherson Place
PO Box 42, Laverton WA 6440

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	3,563,636	3,539,855	3,438,074
Operating grants, subsidies and contributions	30	2,175,789	6,339,058	3,021,889
Fees and charges	29	679,865	628,661	614,742
Service charges	26	0	0	0
Interest earnings	2(a)	226,659	173,897	211,284
Other revenue	2(a)	147,264	133,664	189,065
		<u>6,793,213</u>	<u>10,815,135</u>	<u>7,475,054</u>
Expenses				
Employee costs		(2,640,429)	(3,766,696)	(2,386,119)
Materials and contracts		(4,228,174)	(6,193,638)	(1,418,456)
Utility charges		(282,457)	(252,600)	(296,378)
Depreciation on non-current assets	2(a)	(2,709,732)	(1,992,900)	(2,454,980)
Interest expenses	2(a)	(51,842)	(49,965)	(54,108)
Insurance expenses		(202,870)	(212,876)	(230,796)
Other expenditure		(442,066)	(578,303)	(354,502)
		<u>(10,557,570)</u>	<u>(13,046,978)</u>	<u>(7,195,339)</u>
		<u>(3,764,357)</u>	<u>(2,231,843)</u>	<u>279,715</u>
Non-operating grants, subsidies and contributions	30	10,100,754	6,880,151	4,439,183
Profit on asset disposals	21	12,453	33,503	19,253
(Loss) on asset disposals	21	0	(122,019)	0
Net result		<u>6,348,850</u>	<u>4,559,792</u>	<u>4,738,151</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	0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u><u>6,348,850</u></u>	<u><u>4,559,792</u></u>	<u><u>4,738,151</u></u>

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

SHIRE OF LAVERTON
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 5TH day of OCTOBER 2017


Graham Stanley
Acting Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		428	500	696
General purpose funding		4,991,843	4,901,913	5,994,054
Law, order, public safety		19,982	57,260	6,204
Health		99,653	100,100	105,188
Education and welfare		185,919	175,805	62,343
Housing		41,846	39,124	37,943
Community amenities		107,837	108,790	106,761
Recreation and culture		68,418	114,359	49,099
Transport		436,908	4,501,000	283,348
Economic services		697,354	672,724	650,823
Other property and services		143,025	143,560	178,595
		<u>6,793,213</u>	<u>10,815,135</u>	<u>7,475,054</u>
Expenses	2(a)			
Governance		(797,551)	(859,572)	(764,328)
General purpose funding		(293,677)	(261,604)	(230,996)
Law, order, public safety		(174,606)	(454,710)	(192,447)
Health		(281,557)	(308,340)	(282,131)
Education and welfare		(234,828)	(217,225)	(172,979)
Housing		(62,863)	(91,485)	(73,318)
Community amenities		(445,680)	(483,482)	(399,329)
Recreation and culture		(1,020,412)	(918,271)	(855,170)
Transport		(5,403,477)	(7,269,082)	(3,029,657)
Economic services		(1,773,075)	(2,115,447)	(1,117,347)
Other property and services		(18,002)	(17,795)	(23,529)
		<u>(10,505,728)</u>	<u>(12,997,013)</u>	<u>(7,141,231)</u>
Finance costs	2(a)			
Housing		(27,837)	(26,771)	(28,692)
Economic services		(24,005)	(23,194)	(25,416)
		<u>(51,842)</u>	<u>(49,965)</u>	<u>(54,108)</u>
		<u>(3,764,357)</u>	<u>(2,231,843)</u>	<u>279,715</u>
Non-operating grants, subsidies and contributions	30	10,100,754	6,880,151	4,439,183
Profit on disposal of assets	21	12,453	33,503	19,253
(Loss) on disposal of assets	21	0	(122,019)	0
Net result		<u>6,348,850</u>	<u>4,559,792</u>	<u>4,738,151</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u>6,348,850</u>	<u>4,559,792</u>	<u>4,738,151</u>

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

**SHIRE OF LAVERTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,526,137	6,921,938
Trade and other receivables	4	2,684,469	1,370,046
Inventories	5	120,245	155,345
TOTAL CURRENT ASSETS		<u>13,330,851</u>	<u>8,447,329</u>
NON-CURRENT ASSETS			
Other receivables	4	2,377	802
Property, plant and equipment	6	12,634,092	13,180,730
Infrastructure	7	39,674,098	37,163,111
TOTAL NON-CURRENT ASSETS		<u>52,310,567</u>	<u>50,344,643</u>
TOTAL ASSETS		<u>65,641,418</u>	<u>58,791,972</u>
CURRENT LIABILITIES			
Trade and other payables	8	1,377,282	797,390
Current portion of long term borrowings	9	127,877	122,189
Provisions	10	505,832	457,057
TOTAL CURRENT LIABILITIES		<u>2,010,991</u>	<u>1,376,636</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	882,034	1,009,911
Provisions	10	46,134	52,016
TOTAL NON-CURRENT LIABILITIES		<u>928,168</u>	<u>1,061,927</u>
TOTAL LIABILITIES		<u>2,939,159</u>	<u>2,438,563</u>
NET ASSETS		<u>62,702,259</u>	<u>56,353,409</u>
EQUITY			
Retained surplus		54,957,165	48,318,539
Reserves - cash backed	12	3,635,667	3,925,443
Revaluation surplus	13	4,109,427	4,109,427
TOTAL EQUITY		<u>62,702,259</u>	<u>56,353,409</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		43,120,030	4,385,801	4,109,427	51,615,258
Comprehensive income					
Net result		<u>4,738,151</u>	<u>0</u>	<u>0</u>	<u>4,738,151</u>
Total comprehensive income		<u>4,738,151</u>	<u>0</u>	<u>0</u>	<u>4,738,151</u>
Transfers from/(to) reserves		<u>460,358</u>	<u>(460,358)</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2015		48,318,539	3,925,443	4,109,427	56,353,409
Comprehensive income					
Net result		<u>6,348,850</u>	<u>0</u>	<u>0</u>	<u>6,348,850</u>
Total comprehensive income		<u>6,348,850</u>	<u>0</u>	<u>0</u>	<u>6,348,850</u>
Transfers from/(to) reserves		<u>289,776</u>	<u>(289,776)</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2016		54,957,165	3,635,667	4,109,427	62,702,259

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

**SHIRE OF LAVERTON
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		3,425,544	3,719,855	3,402,800
Operating grants, subsidies and contributions		692,126	6,964,058	2,421,006
Fees and charges		679,865	1,120,922	614,741
Interest earnings		226,659	173,897	211,284
Goods and services tax		825,644	722,142	277,958
Other revenue		147,264	133,664	189,065
		<u>5,997,102</u>	<u>12,834,538</u>	<u>7,116,854</u>
Payments				
Employee costs		(2,224,148)	(3,891,453)	(2,278,561)
Materials and contracts		(3,985,193)	(6,603,120)	(1,351,409)
Utility charges		(282,457)	(252,600)	(296,378)
Interest expenses		(53,219)	(51,965)	(55,391)
Insurance expenses		(202,870)	(212,876)	(230,796)
Goods and services tax		(519,887)	(722,142)	(184,092)
Other expenditure		(442,066)	(578,303)	(354,502)
		<u>(7,709,840)</u>	<u>(12,312,459)</u>	<u>(4,751,129)</u>
Net cash provided by (used in) operating activities	14(b)	<u>(1,712,738)</u>	<u>522,079</u>	<u>2,365,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(908,961)	(2,999,960)	(1,668,349)
Payments for construction of infrastructure		(3,814,030)	(10,310,009)	(4,256,520)
Non-operating grants, subsidies and contributions		10,100,754	6,880,151	4,439,183
Proceeds from sale of fixed assets		61,363	336,000	29,955
Net cash provided by (used in) investment activities		<u>5,439,126</u>	<u>(6,093,818)</u>	<u>(1,455,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(122,189)	(122,189)	(116,762)
Proceeds from new debentures		0	400,000	0
Net cash provided by (used in) financing activities		<u>(122,189)</u>	<u>277,811</u>	<u>(116,762)</u>
Net increase (decrease) in cash held		3,604,199	(5,293,928)	793,232
Cash at beginning of year		6,921,938	6,925,325	6,128,706
Cash and cash equivalents at the end of the year	14(a)	<u><u>10,526,137</u></u>	<u><u>1,631,397</u></u>	<u><u>6,921,938</u></u>

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

**SHIRE OF LAVERTON
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>3,789,720</u>	<u>3,760,904</u>	<u>2,037,493</u>
		3,789,720	3,760,904	2,037,493
Revenue from operating activities (excluding rates)				
Governance		428	500	696
General purpose funding		1,428,207	1,362,058	2,555,980
Law, order, public safety		19,982	57,260	6,204
Health		99,653	100,100	105,188
Education and welfare		185,919	175,805	62,343
Housing		41,846	39,124	37,943
Community amenities		107,837	108,790	106,761
Recreation and culture		68,418	114,359	49,099
Transport		436,908	4,504,503	283,348
Economic services		702,354	702,724	650,823
Other property and services		150,478	143,560	197,848
		<u>3,242,030</u>	<u>7,308,783</u>	<u>4,056,233</u>
Expenditure from operating activities				
Governance		(797,551)	(859,572)	(764,328)
General purpose funding		(293,677)	(261,604)	(230,996)
Law, order, public safety		(174,606)	(454,710)	(192,447)
Health		(281,557)	(308,340)	(282,131)
Education and welfare		(234,828)	(217,225)	(172,979)
Housing		(90,700)	(118,256)	(102,010)
Community amenities		(445,680)	(483,482)	(399,329)
Recreation and culture		(1,020,412)	(918,271)	(855,170)
Transport		(5,403,477)	(7,360,995)	(3,029,657)
Economic services		(1,797,080)	(2,138,641)	(1,142,763)
Other property and services		(18,002)	(47,901)	(23,529)
		<u>(10,557,570)</u>	<u>(13,168,997)</u>	<u>(7,195,339)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(12,453)	(33,503)	(19,253)
Loss on disposal of assets	21	0	122,019	0
Movement in deferred pensioner rates (non-current)		(1,575)	0	747
Movement in employee benefit provisions (non-current)		(5,882)	0	(13,200)
Movement in employee benefit provisions (current)		48,775	0	143,403
Movement in accruals of interest and salaries		38,168	0	(1,283)
Depreciation and amortisation on assets	2(a)	2,709,732	1,992,900	2,454,980
Amount attributable to operating activities		<u>(749,055)</u>	<u>(17,894)</u>	<u>2,565,394</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		10,100,754	6,880,151	4,439,183
Proceeds from disposal of assets	21	61,363	336,000	29,955
Purchase of property, plant and equipment	6(b)	(908,961)	(2,999,960)	(1,668,349)
Purchase and construction of infrastructure	7(b)	(3,814,030)	(10,310,009)	(4,256,520)
Amount attributable to investing activities		<u>5,439,126</u>	<u>(6,093,818)</u>	<u>(1,455,731)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(122,189)	(122,189)	(116,762)
Proceeds from new debentures	22(a)	0	400,000	0
Transfers to reserves (restricted assets)	12	(140,830)	(110,374)	(139,642)
Transfers from reserves (restricted assets)	12	430,606	2,404,420	600,000
Amount attributable to financing activities		<u>167,587</u>	<u>2,571,857</u>	<u>343,596</u>
Surplus(deficiency) before general rates		<u>4,857,658</u>	<u>(3,539,855)</u>	<u>351,646</u>
Total amount raised from general rates	23	<u>3,563,636</u>	<u>3,539,855</u>	<u>3,438,074</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>8,421,294</u></u>	<u><u>0</u></u>	<u><u>3,789,720</u></u>

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

SHIRE OF LAVERTON
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 LAVERTON
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 2017 not 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 has not been able to revalue 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 LAVERTON
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 LAVERTON
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	40 years
Furniture and equipment	10 years
Plant and equipment	3 to 10 years
Roads and streets	35 years
Footpaths - slab	20 years
Airport	20 years
Parks and gardens equipment	35 years
Information bay	35 years
Town centre facilities	35 years
Tools	10 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.

SHIRE OF LAVERTON
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 LAVERTON
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 LAVERTON
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 LAVERTON
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 LAVERTON
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 LAVERTON
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 LAVERTON
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 LAVERTON
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	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

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

SHIRE OF LAVERTON
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	January 2015	1 January 2016	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.
[AASB 7, 101, 134 & 1049]			This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	March 2015	1 July 2016	It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
[AASB 10, 124 & 1049]			The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.
			The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

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

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	27,300	0
Depreciation		
Buildings - non-specialised	623,012	597,135
Furniture and equipment	35,448	14,230
Plant and equipment	743,370	376,997
Tools	1,230	615
Playground Equipment	3,629	3,630
Infrastructure - roads	878,585	1,250,000
Infrastructure - footpaths	13,869	10,300
Airport	216,587	118,580
Infrastructure - Other	194,002	83,493
	<u>2,709,732</u>	<u>2,454,980</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	51,842	54,108
	<u>51,842</u>	<u>54,108</u>
Rental charges		
- Operating leases	55,643	41,202
	<u>55,643</u>	<u>41,202</u>
(ii) Crediting as revenue:		
Significant revenue		
The significant revenue in 2015 relates to early payment of the Financial Assistant Grant	0	780,359
The revenue for the Grant was reduced by this amount in 2015/16		
Other revenue		
Reimbursements and recoveries	28,107	65,494
Other	119,157	123,571
	<u>147,264</u>	<u>189,065</u>
	2016 Actual	2016 Budget
	\$	\$
Interest earnings		2015 Actual
- Reserve funds	120,830	127,269
- Other funds	49,553	42,058
Other interest revenue (refer note 28)	56,276	41,957
	<u>226,659</u>	<u>211,284</u>

SHIRE OF LAVERTON
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

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life. Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

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 facilities and services to members of Council. Other costs that relate to the tasks of accessing 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:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Food control, maintenance of child health clinics and health administration, and the retention of a full time doctor in Laverton.

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of pre-school facilities, day care centre, donations to school and assistance to welfare groups.

HOUSING

Objective:

To provide and maintain residential housing.

Activities:

Provision of staff housing as well as private housing for the retention of professionals in Laverton.

**SHIRE OF LAVERTON
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, noise control, administration of town planning, operation of cemeteries and maintenance of public conveniences.

RECREATION AND CULTURE

Objective:

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

Activities:

Provision of a public hall, swimming pool, recreational facilities, various reserves, operation of a library together with television and radio re-broadcasting facilities.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, drainage, footpaths, parking facilities and traffic control. Cleaning of streets and operation of Laverton airport.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic well being.

Activities:

Community Development, Tourism and Area Promotion, Heritage Development and Maintenance, Great Beyond Visitor Centre and Explorers' Hall of Fame, Community Resource Centre and building control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works, community bus, technical services, administration, plant operations control, and miscellaneous services not to be classified elsewhere.

SHIRE OF LAVERTON
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 \$
MRD - Mt Weid Rd RRG	Transport	122,697	0	(122,697)	0	0	0	0
Nthn & Remote City Health Services	Community Amenities	35,590	0	(15,906)	19,684	0	(16,402)	3,282
Nat. Disaster Res. Program	Law, Order & Public Safety	6,111	0	(6,111)	0	0	0	0
Minara Comm. Foundation	Education & Welfare	6,363	0	(6,363)	0	0	0	0
Roads to Recovery	Transport	29,036	0	(29,036)	0	0	0	0
Dept. of Industry	Economic Services	71,727	353,320	(71,727)	353,320	292,226	(645,546)	0
Dept of Reg. Dev. & Lands	Economic Services	10,000	0	0	10,000	0	(10,000)	0
Minara Comm. Foundation	Education & Welfare	0	50,000	0	50,000	0	0	50,000
Minara Comm. Foundation	Recreation & Culture	0	20,389	(20,330)	59	0	(59)	0
GEDC	Recreation & Culture	0	10,620	0	10,620	0	(10,620)	0
MRWA - Eristoun Rd RRG	Transport	0	83,200	(50,706)	32,494	20,800	(53,294)	0
MRWA - Old Laverton Rd RRG	Transport	0	144,000	(126,139)	17,861	36,000	(53,861)	0
MRWA - Old Laverton Rd RRG	Transport	0	92,800	(53,421)	39,379	23,200	(62,579)	0
MRWA - Grt Central Rd	Transport	0	800,000	(529,171)	270,829	200,000	(470,829)	0
Dept of Regional Development	Economic Services	0	0	0	0	5,359,280	0	5,359,280
MRWA - Grt Central Rd	Transport	0	0	0	0	800,000	(713,551)	86,449
MRWA - Grt Central Rd (RAAR)	Transport	0	0	0	0	16,000	0	16,000
Tourism WA	Economic Services	0	0	0	0	72,500	0	72,500
Total		281,524	1,554,329	(1,031,607)	804,246	6,820,006	(2,036,741)	5,587,511

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 LAVERTON
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		1,302,959	2,192,249
Restricted		9,223,178	4,729,689
		<u>10,526,137</u>	<u>6,921,938</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	12	228,650	221,822
Plant reserve	12	282,133	273,708
Council building reserve	12	860,485	922,494
Aerodrome reserve	12	155,973	274,070
Road reserve	12	625,809	607,121
Swimming pool reserve	12	216,455	209,991
Great Beyond reserve	12	113,579	110,187
Community bus reserve	12	34,447	14,016
Townsite revitalisation reserve	12	264,828	276,322
Community loan & grant reserve	12	19,625	19,038
Economic development reserve	12	372,956	549,704
Coach House renovation reserve	12	228,986	222,149
GCR/Skull Ck floodway reserve	12	231,741	224,821
Unspent grants	2(c)	5,587,511	804,246
		<u>9,223,178</u>	<u>4,729,689</u>
4. TRADE AND OTHER RECEIVABLES			
		2016 \$	2015 \$
Current			
Rates outstanding		421,767	285,250
Sundry debtors		193,312	727,237
Provision for Doubtful Debts		(198,000)	(138,000)
Prepayments		1,180	54,898
Accrued Income		2,266,210	440,661
		<u>2,684,469</u>	<u>1,370,046</u>
Non-current			
Rates outstanding - pensioners		2,377	802
		<u>2,377</u>	<u>802</u>
5. INVENTORIES			
Current			
Fuel and materials		120,245	155,345
		<u>120,245</u>	<u>155,345</u>

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

6 (a). PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	\$	\$
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	903,000	918,000
- Additions after valuation - cost	118,228	62,572
	<u>1,021,228</u>	<u>980,572</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 2	8,307,000	8,307,000
- Additions after valuation - cost	1,408,139	31,999
Less: accumulated depreciation	<u>(1,220,147)</u>	<u>(597,135)</u>
	<u>8,494,992</u>	<u>7,741,864</u>
Total land and buildings	<u>9,516,220</u>	<u>8,722,436</u>
Furniture and equipment at:		
- Management valuation 2013 - level 3	53,694	53,694
- Additions after valuation - cost	299,558	231,714
Less accumulated depreciation	<u>(55,222)</u>	<u>(19,774)</u>
	<u>298,030</u>	<u>265,634</u>
Plant and equipment at:		
- Management valuation 2013 - level 3	2,869,215	2,934,214
- Additions after valuation - cost	1,086,271	762,730
Less accumulated depreciation	<u>(1,421,584)</u>	<u>(709,303)</u>
	<u>2,533,902</u>	<u>2,987,641</u>
Golf Course at:		
- Independent valuation 2014 - level 2	<u>52,000</u>	<u>52,000</u>
	52,000	52,000
Tools at:		
- Management valuation 2013 - level 3	4,050	4,050
Less accumulated depreciation	<u>(2,460)</u>	<u>(1,230)</u>
	<u>1,590</u>	<u>2,820</u>
Buildings (Work in Progress) at:		
- At Cost	172,609	1,086,829
Less accumulated depreciation	<u>0</u>	<u>0</u>
	<u>172,609</u>	<u>1,086,829</u>
Race Course at:		
- Independent valuation 2014 - level 2	<u>28,000</u>	<u>28,000</u>
	28,000	28,000
Playground Equipment at:		
- Independent valuation 2014 - level 3	39,000	39,000
Less accumulated depreciation	<u>(7,259)</u>	<u>(3,630)</u>
	<u>31,741</u>	<u>35,370</u>
	<u>12,634,092</u>	<u>13,180,730</u>

The fair value of property, plant and equipment is required to be 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 required to be reviewed and where appropriate the fair value updated to reflect current market conditions.

Plant and Equipment, Furniture and Equipment and Tools were not revalued in 2015/16 and therefore the process for these classes of assets is not 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 LAVERTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	980,572	55,656	(15,000)	0	0	0	0	0	1,021,228
Total land	980,572	55,656	(15,000)	0	0	0	0	0	1,021,228
Buildings - non-specialised	7,741,864	289,311	0	0	0	0	(623,012)	1,086,829	8,494,992
Total buildings	7,741,864	289,311	0	0	0	0	(623,012)	1,086,829	8,494,992
Total land and buildings	8,722,436	344,967	(15,000)	0	0	0	(623,012)	1,086,829	9,516,220
Furniture and equipment	265,634	67,844	0	0	0	0	(35,448)	0	298,030
Plant and equipment	2,987,641	323,541	(33,910)	0	0	0	(743,370)	0	2,533,902
Golf Course	52,000	0	0	0	0	0	0	0	52,000
Tools	2,820	0	0	0	0	0	(1,230)	0	1,590
Buildings (Work in Progress)	1,086,829	172,609	0	0	0	0	0	(1,086,829)	172,609
Race Course	28,000	0	0	0	0	0	0	0	28,000
Playground Equipment	35,370	0	0	0	0	0	(3,629)	0	31,741
Total property, plant and equipment	13,180,730	908,961	(48,910)	0	0	0	(1,406,689)	0	12,634,092

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology.	Independent registered valuers	June 2014	Price per hectare/market borrowing rate
Buildings - specialised	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology.	Independent valuers and Management valuation	June 2014	Price per square metre/market borrowing rate
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Residual values and remaining useful life assessments (level 3) inputs
Plant and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2013	Residual values and remaining useful life assessments (level 3) inputs
Golf Course	3	Cost approach using depreciated replacement cost	Management valuation	June 2013	Residual values and remaining useful life assessments (level 3) inputs
Tools	3	Cost approach using depreciated replacement cost	Management valuation	June 2013	Residual values and remaining useful life assessments (level 3) inputs
Race Course	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology.	Independent registered valuers	June 2014	Price per hectare/market borrowing rate
Playground Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Residual values and remaining useful life assessments (level 3) inputs

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

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

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

	2016 \$	2015 \$
7 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Cost	66,028,647	62,573,165
Less accumulated depreciation	<u>(30,825,916)</u>	<u>(29,947,331)</u>
	35,202,731	32,625,834
Infrastructure - footpaths		
- Cost	205,986	205,986
Less accumulated depreciation	<u>(133,255)</u>	<u>(119,386)</u>
	72,731	86,600
Airport		
- Cost	2,692,124	2,371,600
Less accumulated depreciation	<u>(2,080,872)</u>	<u>(1,864,285)</u>
	611,252	507,315
Infrastructure - Other		
- Cost	5,651,271	5,613,247
Less accumulated depreciation	<u>(1,863,887)</u>	<u>(1,669,885)</u>
	3,787,384	3,943,362
	<u>39,674,098</u>	<u>37,163,111</u>

The fair value of infrastructure is required to be determined at least every three years in accordance with legislative requirements. Revaluation of infrastructure assets did not occur in 2014/15. Infrastructure assets are carried at cost. This is not in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

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

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance 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	32,625,834	3,455,482	0	0	0	0	(878,585)	0	35,202,731
Infrastructure - footpaths	86,600	0	0	0	0	0	(13,869)	0	72,731
Airport	507,315	320,524	0	0	0	0	(216,587)	0	611,252
Infrastructure - Other	3,943,362	38,024	0	0	0	0	(194,002)	0	3,787,384
Total infrastructure	37,163,111	3,814,030	0	0	0	0	(1,303,043)	0	39,674,098

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

During the period there were no changes in the valuation for infrastructure and the assets are held at historical cost.

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

	2016 \$	2015 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	784,945	635,904
Accrued interest on debentures	11,942	13,319
Accrued salaries and wages	91,450	51,904
ATO liabilities	430,085	96,243
Superannuation	4	20
Other Liabilities	58,856	0
	<u>1,377,282</u>	<u>797,390</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by floating charge		
Debentures	127,877	122,189
	<u>127,877</u>	<u>122,189</u>
Non-current		
Secured by floating charge		
Debentures	882,034	1,009,911
	<u>882,034</u>	<u>1,009,911</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	276,417	180,640	457,057
Non-current provisions	0	52,016	52,016
	<u>276,417</u>	<u>232,656</u>	<u>509,073</u>
Additional provision	56,568	(13,675)	42,893
Amounts used	0	0	0
Balance at 30 June 2016	<u>332,985</u>	<u>218,981</u>	<u>551,966</u>
Comprises			
Current	332,985	172,847	505,832
Non-current	0	46,134	46,134
	<u>332,985</u>	<u>218,981</u>	<u>551,966</u>

SHIRE OF LAVERTON
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	221,822	6,828	0	228,650	221,822	4,991	0	226,813	213,714	8,103	0	221,822
Plant reserve	273,708	8,425	0	282,133	273,708	8,212	(180,000)	101,920	284,291	9,417	0	273,708
Council building reserve	922,494	28,395	(90,404)	860,485	922,493	20,756	(804,000)	139,249	890,757	31,737	0	922,494
Aerodrome reserve	274,070	8,436	(126,533)	155,973	274,070	6,167	(264,000)	16,237	265,118	8,952	0	274,070
Road reserve	607,121	18,688	0	625,809	607,121	13,660	(400,000)	220,781	586,234	20,887	0	607,121
Swimming pool reserve	209,991	6,464	0	216,455	209,991	4,725	(40,000)	174,716	202,767	7,224	0	209,991
Great Beyond reserve	110,187	3,392	0	113,579	110,187	2,479	(26,420)	86,246	106,396	3,791	0	110,187
Community bus reserve	14,016	20,431	0	34,447	14,016	20,315	0	34,331	13,534	482	0	14,016
Townsite revitalisation reserve	276,322	8,506	(20,000)	264,828	276,323	6,217	(270,000)	12,540	862,221	14,101	(600,000)	276,322
Community loan & grant reserve	19,038	586	0	19,624	19,038	428	(10,000)	9,466	18,383	655	0	19,038
Economic development reserve	549,704	16,921	(193,669)	372,956	549,704	12,368	(325,000)	237,072	530,793	18,911	0	549,704
Coach House renovation reserve	222,149	6,838	0	228,987	222,149	4,998	(85,000)	142,147	214,506	7,643	0	222,149
GCR/Skull Ck floodway reserve	224,821	6,920	0	231,741	224,821	5,058	0	229,879	217,087	7,734	0	224,821
	<u>3,925,443</u>	<u>140,830</u>	<u>(430,606)</u>	<u>3,635,667</u>	<u>3,925,443</u>	<u>110,374</u>	<u>(2,404,420)</u>	<u>1,631,397</u>	<u>4,385,801</u>	<u>139,642</u>	<u>(600,000)</u>	<u>3,925,443</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.

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

12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave reserve	Ongoing	To be used to fund annual, RDO and long service leave requirements
Plant reserve	Ongoing	To be used for the purchase of major plant
Council building reserve	Ongoing	To be used to maintain and construct buildings owned by the Local Government
Aerodrome reserve	Ongoing	To be used for the upkeep and major upgrade works to the Laverton Airport
Road reserve	Ongoing	To be used for the upkeep and major improvements/re-sealing programmes for the roads within the Shire of Laverton
Swimming pool reserve	Ongoing	To be used for the renovation and upgrading works for the swimming pool
Great Beyond reserve	Ongoing	To be used to plan, develop, expand or construct facilities for an improved tourism
Community bus reserve	Ongoing	To be used for the maintenance and replacement of the community bus
Townsite revitalisation reserve	Ongoing	To be used to hold funds pertaining to the Laverton Town Site Revitalisation project
Community loan & grant reserve	Ongoing	To be held for monies that may be made available to community groups as a low interest loan to assist community groups to achieve their aims
Economic development reserve	Ongoing	To be used to purchase town site land
Coach House renovation reserve	Ongoing	To be used to fund Coach House renovations
GCR/Skull Ck floodway reserve	Ongoing	To be used to fund floodway construction

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	\$ 3,977,468	0	0	0	3,977,468	\$ 3,977,468	0	0	0	3,977,468
Plant and equipment	131,959	0	0	0	131,959	131,959	0	0	0	131,959
	<u>4,109,427</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,109,427</u>	<u>4,109,427</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,109,427</u>

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 LAVERTON
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		\$	
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result	10,526,137	1,631,397	6,921,938
Net result	6,348,850	4,559,792	4,738,151
Non-cash flows in Net result:			
Depreciation	2,709,732	1,992,900	2,454,980
(Profit)/Loss on sale of asset	(12,453)	88,516	(19,253)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(1,315,998)	1,297,261	(542,292)
(Increase)/Decrease in inventories	35,100	70,979	(18,522)
Increase/(Decrease) in payables	579,892	(607,218)	79,460
Increase/(Decrease) in provisions	42,893	0	112,384
Grants contributions for the development of assets	(10,100,754)	(6,880,151)	(4,439,183)
Net cash from operating activities	<u>(1,712,738)</u>	<u>522,079</u>	<u>2,365,725</u>
(c) Undrawn Borrowing Facilities	2016		2015
Credit Standby Arrangements	\$		\$
Credit card limit	25,000		25,000
Credit card balance at balance date	(9,733)		(7,253)
Total amount of credit unused	<u>15,267</u>		<u>17,747</u>
Loan facilities			
Loan facilities - current	127,877		122,189
Loan facilities - non-current	882,034		1,009,911
Total facilities in use at balance date	<u>1,009,911</u>		<u>1,132,100</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Shire has no contingent liabilities at 30 June 2016.

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	18,051	60,361
- later than one year but not later than five years	21,060	40,714
- later than five years	0	0
	<u>39,111</u>	<u>101,075</u>
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	326,325
Payable:		
- greater than one year	125,266	260,591
- not later than one year	0	65,634

The capital expenditure project outstanding at the end of the comparative reporting period represents the construction of Burt Street Units, Main Street Development and Sealing of the Great Central Road.

The capital expenditure project outstanding at the end of the current reporting period represents the Main Street Development.

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

17. JOINT VENTURE ARRANGEMENTS

The Shire together with the City of Kalgoorlie-Boulder and the Shire of Coolgardie, Dundas, Esperance, Leonora, Menzies, Ngaanyatjaraku, Ravensthorpe and Wiluna have a joint venture arrangement with regard to the provision of a Regional Records service. The assets included in the joint venture are recorded at Council's one tenth share and are as follows:

	2016 \$	2015 \$
Non-current assets		
Land and buildings at valuation (2014)	75,500	75,500
Less: accumulated depreciation	<u>(3,775)</u>	<u>(1,887)</u>
	<u>71,725</u>	<u>73,613</u>
 Furniture and equipment at valuation (2016)	 8,204	 12,109
Less: accumulated depreciation	<u>0</u>	<u>(2,778)</u>
	<u>8,204</u>	<u>9,331</u>
 Plant and machinery at valuation (2016)	 4,182	 8,247
Less: accumulated depreciation	<u>0</u>	<u>(3,492)</u>
	<u>4,182</u>	<u>4,755</u>
 Light vehicles at valuation (2016)	 3,200	 6,549
Less: accumulated depreciation	<u>0</u>	<u>(1,129)</u>
	<u>3,200</u>	<u>5,420</u>
 Total Assets	 <u>87,311</u>	 <u>93,119</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016 \$	2015 \$
Governance	226,408	3,280
General purpose funding	5,197	285,278
Law, order, public safety	44,857	50,911
Health	329,503	337,261
Education and welfare	94,200	155,850
Housing	3,299,558	3,146,899
Community amenities	185,827	223,748
Recreation and culture	2,687,249	2,960,995
Transport	39,408,709	36,921,176
Economic services	2,517,486	3,204,688
Other property and services	5,981,661	4,341,115
Unallocated	<u>10,860,763</u>	<u>7,160,771</u>
	<u>65,641,418</u>	<u>58,791,972</u>

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

	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	2.305	3.219	2.250
Asset sustainability ratio	1.089	1.108	0.490
Debt service cover ratio	-5.691	16.434	9.860
Operating surplus ratio	-0.832	0.069	-0.150
Own source revenue coverage ratio	0.427	0.604	0.630

The above ratios are calculated as follows:

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

Notes:

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

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

20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Trust Housing Bonds	3,950	2,040	(600)	5,390
BCITF & BRB	2,385	0	0	2,385
Unclaimed Monies	261	0	0	261
Youth Advisory Council	1,029	0	0	1,029
Trust Clubs and Discos	1,530	0	0	1,530
North East Goldfields LCDC	14,333	0	0	14,333
Donations received	9,044	0	0	9,044
Sport & Rec Grant Funds	6,000	0	0	6,000
Outback Highway Development Fund	181,376	4,085	(17,846)	167,615
	<u>219,908</u>			<u>207,587</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 \$
Plant and Equipment								
Education and welfare								
Youth Officer Xtrail	0	0			11,000	11,000	0	0
Transport								
Trailer 1TAX661 #404 and								
Trailer #261	0	0			6,497	10,000	3,503	0
Grader John Deere 770 P282	0	0			271,913	180,000	0	(91,913)
Economic services								
Lot 339 - 1 Erlistoun	15,000	20,000	5,000	0	15,000	45,000	30,000	0
Other property and services								
Landcruiser GXL OLA (CEO)	0	0			67,128	45,000	0	(22,128)
Toyota Prado GX 2006 (EMT)	30,410	33,636	3,226	0	42,486	35,000	0	(7,486)
Pool Vehicle 160 LA (EMCCS)	3,500	7,727	4,227	0	10,492	10,000	0	(492)
	<u>48,910</u>	<u>61,363</u>	<u>12,453</u>	<u>0</u>	<u>424,516</u>	<u>336,000</u>	<u>33,503</u>	<u>(122,019)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Loan 79B Two Executive Houses	165,411		23,574	23,574	141,837	141,837	10,261	9,800
Loan 81 Burt St Group Housing	367,864		33,671	33,671	334,193	334,193	17,576	16,971
New Doctor's House	0	200,000	0	0	0	200,000	0	0
Economic services								
Loan 80 Main St Project Funding	598,825		64,944	64,944	533,881	533,881	24,005	23,194
New- Main St Underground Power	0	200,000	0	0	0	200,000	0	0
	<u>1,132,100</u>	<u>400,000</u>	<u>122,189</u>	<u>122,189</u>	<u>1,009,911</u>	<u>1,409,911</u>	<u>51,842</u>	<u>49,965</u>
	<u><u>1,132,100</u></u>	<u><u>400,000</u></u>	<u><u>122,189</u></u>	<u><u>122,189</u></u>	<u><u>1,009,911</u></u>	<u><u>1,409,911</u></u>	<u><u>51,842</u></u>	<u><u>49,965</u></u>

All loan repayments were financed by general purpose revenue.

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

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges		Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$				\$	\$		Actual \$	Budget \$	
Doctor's House		0	200,000	WATC	Debentures	10	54,335	4.72%	0	(200,000)	0
Main St Underground Power		0	200,000	WATC	Debentures	10	54,335	4.72%	0	(200,000)	0
		0	400,000				108,670		0	(400,000)	0

(c) Unspent Debentures

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

(d) Overdraft

The Shire does not have an overdraft facility. No overdraft facility was required during 2015/16.

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

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV Townsite	0.1072	160	2,451,074	262,755	0	0	262,755	262,755	0	0	262,755
GRV Mining	0.0803	12	13,002,176	1,044,074	0	0	1,044,074	1,044,074	0	0	1,044,074
Unimproved value valuations											
UV Pastoral	0.0880	17	592,775	52,164	0	0	52,164	52,164	0	0	52,164
UV Mining	0.1486	687	14,451,160	2,144,097	(6,506)	0	2,137,591	2,147,442	0	0	2,147,442
Sub-Total		876	30,497,185	3,503,090	(6,506)	0	3,496,584	3,506,435	0	0	3,506,435
Minimum payment	\$										
Gross rental value valuations											
GRV Townsite	280	59	17,618	16,520	0	0	16,520	16,520	0	0	16,520
GRV Mining	280	1	20	280	0	0	280	280	0	0	280
Unimproved value valuations											
UV Pastoral	280	0	0	0			0	0	0	0	0
UV Mining	280	407	408,817	113,960	16,625	0	130,585	114,800	0	0	114,800
UV Shared Tenements	140	38	4,199	5,320	100	0	5,420	1,820	0	0	1,820
Sub-Total		505	430,654	136,080	16,725	0	152,805	133,420	0	0	133,420
Totals		1,381	30,927,839	3,639,170	10,219	0	3,649,389	3,639,855	0	0	3,639,855
Discounts/concessions (refer note 27)							(85,753)				(100,000)
Total amount raised from general rate							3,563,636				3,539,855
Specified Area Rate (refer note 25)							0				0
Ex-gratia rates							0				0
Totals							3,563,636				3,539,855

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

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>8,421,294</u>	<u>3,789,720</u>	<u>3,789,720</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,302,959	2,192,249	2,192,249
Restricted	9,223,178	4,729,689	4,729,689
Receivables			
Rates outstanding	421,767	285,250	285,250
Sundry debtors	193,312	727,237	727,237
Accrued income	2,266,210	440,661	440,661
Provision for Doubtful Debts	(198,000)	(138,000)	(138,000)
Prepayments	1,180	54,898	54,898
Inventories			
Fuel and materials	120,245	155,345	155,345
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(784,945)	(635,904)	(635,904)
Accrued interest on debentures	(11,942)	(13,319)	(13,319)
Accrued salaries and wages	(91,450)	(51,904)	(51,904)
ATO liabilities	(430,085)	(96,243)	(96,243)
Superannuation	(4)	(20)	(20)
Other Liabilities	(58,856)	0	0
Current portion of long term borrowings			
Secured by floating charge	(127,877)	(122,189)	(122,189)
Provisions			
Provision for annual leave	(332,985)	(276,417)	(276,417)
Provision for long service leave	(172,847)	(180,640)	(180,640)
Unadjusted net current assets	<u>11,319,860</u>	<u>7,070,693</u>	<u>7,070,693</u>
Adjustments			
Less: Reserves - restricted cash	(3,635,667)	(3,925,443)	(3,925,443)
Add: Secured by floating charge	127,877	122,189	122,189
Add: Employee liabilities and accrued income	609,224	522,281	522,281
Adjusted net current assets - surplus/(deficit)	<u>8,421,294</u>	<u>3,789,720</u>	<u>3,789,720</u>

Difference

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

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

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

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

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

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	5.00%	85,753	95,000	In accordance with section 6.46 of the <i>Local Government Act 1995</i> , a five (5) percent discount on current rates paid in full within 21 days of the date of service being 10 September 2015 (i.e. discount cut-off date is 1 October 2015).
		<u>85,753</u>	<u>95,000</u>	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted

Type	Discount % or \$	Actual \$	Budget \$
Concession		0	5,000
Write-Off		0	15,000
		<u>0</u>	<u>20,000</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
Council policy #3.9 states that pursuant to section 6.35 of the <i>Local Government Act 1995</i> , "Where a mining tenement crosses Council's boundary with a neighbouring Shire, Council agrees to claim 50% or the minimum rate, regardless of the portion of the mining tenement in this Municipality.	Equity of rating
Rate Assessment write-off	Debt collection policy
Interim rates and unrecoverable rates may result in a write off.	

Reasons for the Waiver or Concession

To standardise calculation of shared tenement rates charges and provide equity with shires which share a boundary. This policy only applies to prospecting, mining or exploration licences which are subject to minimum rates.

To account for unrecoverable rates.

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

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

	Date Due	Instalment Plan		Instalment Interest Rate %	Unpaid Rates Interest Rate %
		Admin Charge \$			
Instalment Options					
Option One					
Single full payment	15/10/2016				11.00%
Option Two					
First Instalment	15/10/2016				11.00%
Second Instalment	17/12/2016	\$5		5.00%	
Third Instalment	18/02/2017	\$5		5.00%	
Fourth Instalment	21/04/2016	\$5		5.00%	
		Revenue		Budgeted Revenue	
		\$		\$	
Interest on unpaid rates		45,712		30,000	
Interest on instalment plan		10,564		5,000	
Charges on instalment plan		125		2,000	
		<u>56,401</u>		<u>37,000</u>	

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

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	428	307
General purpose funding	32,678	1,163
Law, order, public safety	9,976	2,139
Health	200	200
Education and welfare	4,208	4,142
Housing	32,485	31,918
Community amenities	107,837	103,973
Recreation and culture	10,452	6,729
Transport	270,815	283,348
Economic services	189,021	171,885
Other property and services	21,765	8,938
	<u>679,865</u>	<u>614,742</u>

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

30. GRANT REVENUE

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

	2016	2015
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
General purpose funding	1,180,661	2,342,207
Law, order, public safety	2,460	4,063
Health	99,453	99,727
Education and welfare	181,420	57,202
Recreation and culture	51,672	42,370
Transport	166,093	
Economic services	494,030	476,320
	<u>2,175,789</u>	<u>3,021,889</u>
Non-operating grants, subsidies and contributions		
General purpose funding	0	1,305,967
Education and welfare	0	50,000
Recreation and culture	5,399,336	61,009
Transport	4,693,333	2,598,818
Economic services	8,085	423,389
	<u>10,100,754</u>	<u>4,439,183</u>
	<u>12,276,543</u>	<u>7,461,072</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	<u>38</u>	<u>33</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	54,500	65,000	57,118
President's allowance	17,200	17,200	17,341
Deputy President's allowance	4,300	4,300	3,967
Travelling expenses	3,078	5,000	4,449
	<u>79,078</u>	<u>91,500</u>	<u>82,875</u>

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

33. MAJOR LAND TRANSACTIONS

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	10,526,137	6,921,938	10,526,137	6,921,938
Receivables	2,686,846	1,370,848	2,686,846	1,370,848
	<u>13,212,983</u>	<u>8,292,786</u>	<u>23,739,120</u>	<u>8,292,786</u>
Financial liabilities				
Payables	1,377,282	797,390	1,377,282	797,390
Borrowings	1,009,911	1,132,100	1,145,629	883,821
	<u>2,387,193</u>	<u>1,929,490</u>	<u>2,522,911</u>	<u>1,681,211</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.

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Held-to-maturity investments

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

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% movement in interest rates on cash		
- Equity	69,384	20,622
- Statement of Comprehensive Income	69,384	20,622

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	13.92%	7.00%
- Overdue	86.08%	93.00%
Percentage of other receivables		
- Current	42.32%	41.00%
- Overdue	57.68%	59.00%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year ended 30 June 2016								
Borrowings								
Fixed rate	0	0	0	0	0	(1,009,911)	(1,009,911)	4.53%
Debentures								
Weighted average								
Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	4.53%		
Year ended 30 June 2015								
Borrowings								
Fixed rate	0	0	0	0	0	(1,132,100)	(1,132,100)	4.54%
Debentures								
Weighted average								
Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	4.54%		



Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDIT REPORT TO THE ELECTORS OF THE SHIRE OF LAVERTON

Scope

We have audited the financial report of Shire of Laverton for the year ended 30 June 2016. The financial report comprises the Statement by Chief Executive Officer, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Rate Setting Statement and accompanying notes to the financial statements.

The Council is responsible for the preparation of a financial report which provides a true and fair view of the financial performance and position of the council in accordance with the Local Government Act 1995, and Regulations. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for accounting policies and estimates inherent to the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the electors of the Shire of Laverton. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995, and Regulations, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of their performance which is represented by the results of operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence, supporting the amounts and disclosures in the financial report.
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions were accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the executive and management of the Shire of Laverton.

Independence

Anderson Munro & Wyllie are independent of the Shire of Laverton, and have met the independence requirements of Australian professional ethical pronouncements and the Local Government Act 1995.

The audit opinion expressed in this report has been formed on the above basis.

Qualification

We were unable to satisfy ourselves that the valuation of Plant and Equipment, Furniture and Equipment, Tools and Infrastructure assets in the financial statements accurately represents the fair values of these assets at the reporting date. Plant and Equipment, Furniture and Equipment and Tools were not revalued in 2015/16 and Infrastructure assets are carried at cost, which is not in accordance with *Local Government (Financial Management) Regulation 17A (2) which requires assets to be shown at their fair values.*



Qualified Audit Opinion

In our opinion, except for the issue noted in our qualification paragraph, the financial statements of the Shire of Laverton are properly drawn up:

- a) So as to give a true and fair view of the state of affairs of the Shire as at 30 June 2016 and the results of its operations and cash flows for the year then ended;
- b) In accordance with the requirements of the Local Government Act 1995; and
- c) In Accordance with Applicable Australian Accounting Standards.

Other Matters

During the course of our audit we noted the following issues regarding the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996:

- a) Fixed assets were not shown at their fair values in accordance with *Local Government (Financial Management) Regulation 17A (2)*.
- b) The annual financial report for the financial year ended 30 June 2016 was not submitted to the auditor by 30 September or by the extended time allowed by the minister or his delegate. This constitutes a breach of s6.4(3)(b) of the Act.
- c) The annual financial report for the financial year ended 30 June 2016 was not prepared or accepted and adopted by absolute majority by the local government by 31 December 2015. This constitutes a breach of s5.53 and s5.54 (1) & (2) of the Act.
- d) The Tenders Register was not adequately maintained. It was incomplete as it did not include all the particulars as required under Local Government (Functions & General) Regulations 1996 Reg. 17 (2) and (3).
- e) We note two instances where Annual returns had not been prepared in the prescribed format as required by *Local Government Act 1995 section 5.88(2)(b)* as they contained blank sections.

Statutory Compliance

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

- a) Except for the issues identified in the above 'Other Matters' paragraph we did not during the course of the audit, become aware of any other instances where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.
- e) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and in our opinion these are:
 - i. Based on verifiable information, and
 - ii. Reasonable assumptions.

Dated the 23rd day of October 2017 in Perth, Western Australia

BILLY-JOE THOMAS
Registered Company Auditor

ANDERSON MUNRO & WYLLIE
Chartered Accountants

**SHIRE OF LAVERTON
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	0.582	0.817	0.449
Asset renewal funding ratio	0.425	0.636	0.605

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	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

INTEGRATED PLANNING AND REPORTING

In 2016, Council undertook a comprehensive review of the Strategic Community Plan, following which the Corporate Business Plan was reviewed and updated.

The Corporate Business Plan aims to fulfil the strategic direction set by Council and progress the Council's vision while keeping with the community's aspirations and values.

Copies of both documents are available at the Shire Administration Office and are also on the Shire of Laverton's website.

Actions identified in the CBP are ongoing and include:

- 1.1.3.1 Continue to seek funding and develop the Laverton Community Hub Project.
- 3.1.1.3 Continue the sealing and upgrade program of the Outback Way in accordance with funding availability.
- 3.1.2.1 Maintain and improve rural road network.
- 3.1.2.3 Progress Main Street Project.
- 3.1.3.1 Continue implementation of Airport Master Plan.
- 4.1.2.4 Continue to engage with the community and lobby on its behalf.

It is envisaged that during the 2016/2017 year, the following major projects will be completed/commenced:

- Sealing of sections of the Great Central Road/Outback Way;
- Architectural design work for the Laverton Community Hub Project;
- Remote Aboriginal Access Road funded gravel sheeting on the Great Central Road;
- Bandy Road gravel sheeting and creek crossing work;
- Old Laverton Road – floodway;
- Public open space security surveillance system installation; and
- Laverton Main Street Project.

PAYMENTS TO EMPLOYEES

Section 5.53 (2) (g) of the *Local Government Act 1995* and Regulation 19B of the *Local Government (Administration) Regulations 1996* require all local governments to report in their Annual Report, any employees receiving a salary in excess of \$100,000 per annum. Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more:

EMPLOYEES EMPLOYED UNDER ENTERPRISE BARGAINING AGREEMENT 2012

Salary Range (\$)	No. of Employees
100,000 to 109,999	2

EMPLOYEES EMPLOYED UNDER FIXED TERM CONTRACT

Salary Range (\$)	No. of Employees
120,000 to 129,999	1
150,000 to 159,999	1
210,000 to 219,999	1

PUBLIC INTEREST DISCLOSURE

The Public Interest Disclosure Code was established by the Commissioner for Public Standards under section 20 of the *Public Interest Disclosure Act 2003*.

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

Matters that fall into the category of public interest include:

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

Matters that relate to the Shire of Laverton should be referred to the Shire of Laverton's Public Interest Disclosure Officer. Disclosures to the Public Interest Disclosure Officer can be made not just about officers of the Shire of Laverton, but also its elected officials.

There is an obligation of the Public Interest Disclosure Officer in the *Public Interest Disclosure Act 2003* to ensure that the disclosure is confidential and that the person making a disclosure is provided adequate protection from reprisals, civil and criminal liability or breach of confidentiality. More information can be found at www.publicsector.wa.gov.au.

The Shire of Laverton had no Public Interest Disclosures during the reporting period.

FREEDOM OF INFORMATION

Section 96 and 97 of the *Freedom of Information Act 1992* requires local governments to publish an information statement annually.

In summary, the Shire of Laverton's Statement indicates that the Shire of Laverton is responsible for the good governance of the Shire and carries out functions as required including statutory compliance and provision of services and facilities.

All Council meetings are open to the public and meeting dates and venues are advertised on a regular basis. Members of the public are invited to ask questions during Public Question Time shortly after the commencement of each meeting.

The Shire of Laverton maintains records relating to the function and administration of the Shire and includes such documents as the Minutes of Meetings, Rate Book, Town Planning Scheme, Local Laws, Codes of Conduct, Register of Financial Interests, Register of Delegated Authority, Financial Statements and Electoral Rolls. These documents can be inspected free of charge at the Shire Office, Macpherson place, Laverton during office hours.

Where ever possible and practical, and in line with privacy laws, the Shire of Laverton makes personal information readily available free of charge.

No Freedom of Information requests were made during the reporting period.

REGISTER OF MINOR COMPLAINTS

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

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

- i. The number of complaints recorded on the Register of Complaints;
- ii. How the recorded complaints were dealt with, and;
- iii. Any other details that the regulations may require to be disclosed in the Annual report.

In accordance with these requirements, a complaints register has been maintained. As at 30 June 2016, no complaints were recorded, therefore no action was required.

DISABILITY ACCESS AND INCLUSION PLAN

The Shire of Laverton revised their Disability Access and Inclusion Plan during 2013 and the Shire of Laverton Disability Access and Inclusion Plan 2013-2017 was formally adopted by Council on 12 December 2013. The previous plan had been adopted by Council in 2006. The 2013 review involved consultation with the relevant health agencies and community stakeholders. During consultation a community consensus developed regarding their priorities.

The Shire of Laverton continually works towards the implementation and improvement of the desired outcomes of its Disability Access and Inclusion Plan. These outcomes are:

1. People with disability have the same opportunities as other people to access the services of, and any events organised by, the relevant public authority.
2. People with disability have the same opportunities as other people to access the buildings and other facilities of the relevant public authority.
3. People with disability receive information from the relevant public authority in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from the staff of the relevant public authority.
5. People with disability have the same opportunities as other people to make complaints to the relevant public authority.
6. People with disability have the same opportunities as other people to participate in any public consultation by the relevant public authority.
7. People with disability have the same opportunities as other people to obtain and maintain employment.

RECORD KEEPING

Background

The *State Records Act 2000* is an Act to provide for the keeping of State records and for related purposes. Section 19 of the Act requires each government organisation to have a Record Keeping Plan that has been approved by the State Records Commission.

The purpose of a Record Keeping Plan is to set out which records are to be created by the organisation and how it is to keep those records. The Record Keeping Plan is to provide an accurate reflection of the record keeping program within the organisation, including information regarding the organisation's record keeping system(s), disposal arrangements, policies, practices and processes. The Record Keeping Plan is the primary means of providing evidence of compliance with the Act and the implementation of best practice record keeping within the organisation. In accordance with Section 17 of the Act, the Shire of Laverton and all its employees are legally required to comply with the contents of this plan. The record keeping plan applies to all employees, contractors, elected members and organisations performing outsourced services on behalf of the Shire of Laverton.

The Shire of Laverton's Recordkeeping Plan 2011 was adopted by Council in April 2011. After some minor changes were made, approval was received by the State Records Commission in December 2011. The registration number of the recordkeeping plan is 2011029.

On 17 March 2017, the State Records Commission approved the continuation of the continuation of the Shire of Laverton Record Keeping Plan with the next review due to be completed and submitted to the State Records Office no later than 2 December 2021.

The objectives of the Shire of Laverton's Record Keeping Plan are to ensure:

- Compliance with Section 28 of the *State Records Act 2000*,
- Record keeping within the Local Government is moving toward compliance with State Records Commission Standards and Record Management Standard AS ISO15489.
- Processes are in place to facilitate the complete and accurate record of business transactions and decisions,
- Recorded information can be retrieved quickly, accurately and cheaply when required; and the
- Protection and preservation of the local government's records.

Minimum Compliance Requirements

The Record Keeping Plan is to provide evidence to address that:

1. From time to time, an external consultant will be engaged to provide recordkeeping training sessions for staff. Training is provided to new employees, where appropriate, via an online course, to provide them with the basic information of record keeping.
2. Staff information sessions are conducted on a regular basis as required.
3. The local government provides brochures or newsletters to publish recordkeeping information, highlight issues, or bring particular recordkeeping matters to staff attention.
4. The local government's Induction Program for new employees includes an introduction to the local government's recordkeeping system and program, and information on their recordkeeping responsibilities.

Electronic Records

A review of the management of electronic records was undertaken by employees at the time that the Shire of Laverton's Record Keeping Plan was updated. This was done with the assistance from a Records Management Consulting firm. As a result of the review and discussions with the consultant, it was determined that it was more appropriate for the organisation to continue improving the current processes before introducing an Electronic Records Management System.