

SHIRE OF AUGUSTA MARGARET RIVER

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:
41 Wallcliffe Road
Margaret River WA 6285


**SHIRE OF AUGUSTA MARGARET RIVER
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 22nd day of September 2016



Johan Louw
Director Infrastructure Services
for Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	22	18,668,300	18,275,260	17,485,775
Operating grants, subsidies and contributions	29	1,569,932	1,126,355	3,823,070
Fees and charges	28	9,246,727	8,723,750	9,258,001
Service charges	25	4,333	4,333	4,333
Interest earnings	2(a)	779,131	659,427	726,082
Other revenue	2(a)	262,417	13,000	187,575
		<u>30,530,840</u>	<u>28,802,125</u>	<u>31,484,836</u>
Expenses				
Employee costs		(13,510,877)	(13,706,610)	(12,938,805)
Materials and contracts		(7,452,535)	(8,618,548)	(7,789,066)
Utility charges		(1,173,270)	(1,106,864)	(1,106,146)
Depreciation on non-current assets	2(a)	(8,107,587)	(7,076,400)	(6,935,832)
Interest expenses	2(a)	(547,925)	(555,982)	(527,605)
Insurance expenses		(599,771)	(578,087)	(575,495)
Other expenditure		(393,675)	(418,562)	(418,447)
		<u>(31,785,640)</u>	<u>(32,061,053)</u>	<u>(30,291,396)</u>
		(1,254,800)	(3,258,928)	1,193,440
Non-operating grants, subsidies and contributions	29	9,601,817	5,393,686	2,735,782
Profit on asset disposals	20	22,409	16,645	61,907
(Loss) on asset disposals	20	(495,832)	(35,139)	(54,034)
Net result		<u>7,873,594</u>	<u>2,116,264</u>	<u>3,937,095</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	896,693	0	125,768,616
Total other comprehensive income		<u>896,693</u>	<u>0</u>	<u>125,768,616</u>
Total comprehensive income		<u><u>8,770,287</u></u>	<u><u>2,116,264</u></u>	<u><u>129,705,711</u></u>

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

SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
	2(a)			
Governance		423,587	264,036	480,231
General purpose funding		20,516,608	19,831,871	20,456,536
Law, order, public safety		679,659	434,913	569,995
Health		112,292	100,552	94,545
Education and welfare		291,124	272,900	297,482
Community amenities		4,759,866	4,491,693	4,525,660
Recreation and culture		1,141,403	1,053,500	1,216,656
Transport		277,131	157,800	1,495,904
Economic services		2,275,705	2,154,860	2,263,506
Other property and services		53,465	40,000	84,321
		<u>30,530,840</u>	<u>28,802,125</u>	<u>31,484,836</u>
Expenses				
	2(a)			
Governance		(6,241,247)	(6,739,413)	(6,020,964)
General purpose funding		(1,008,663)	(954,451)	(1,047,166)
Law, order, public safety		(1,488,484)	(1,343,226)	(1,270,719)
Health		(518,235)	(564,056)	(485,965)
Education and welfare		(339,706)	(289,892)	(279,630)
Community amenities		(2,994,239)	(3,613,266)	(2,985,179)
Recreation and culture		(8,036,159)	(7,850,033)	(7,417,601)
Transport		(9,223,707)	(8,557,592)	(9,246,947)
Economic services		(1,357,534)	(1,459,118)	(793,429)
Other property and services		(29,741)	(134,024)	(216,191)
		<u>(31,237,715)</u>	<u>(31,505,071)</u>	<u>(29,763,791)</u>
Finance costs				
	2(a)			
Governance		(378,022)	(381,846)	(351,952)
Community amenities		(10,513)	(10,820)	(11,740)
Recreation and culture		(97,499)	(100,346)	(101,985)
Transport		(1,872)	(2,013)	(4,800)
Economic services		(60,019)	(60,957)	(57,128)
		<u>(547,925)</u>	<u>(555,982)</u>	<u>(527,605)</u>
		<u>(1,254,800)</u>	<u>(3,258,928)</u>	<u>1,193,440</u>
Non-operating grants, subsidies and contributions		9,601,817	5,393,686	2,735,782
Profit on disposal of assets	20	22,409	16,645	61,907
(Loss) on disposal of assets	20	<u>(495,832)</u>	<u>(35,139)</u>	<u>(54,034)</u>
Net result		<u>7,873,594</u>	<u>2,116,264</u>	<u>3,937,095</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	<u>896,693</u>	<u>0</u>	<u>125,768,616</u>
Total other comprehensive income		<u>896,693</u>	<u>0</u>	<u>125,768,616</u>
Total comprehensive income		<u><u>8,770,287</u></u>	<u><u>2,116,264</u></u>	<u><u>129,705,711</u></u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	24,790,348	14,337,720
Trade and other receivables	4	978,966	1,124,298
Inventories	5	<u>318,934</u>	<u>742,813</u>
TOTAL CURRENT ASSETS		<u>26,088,248</u>	<u>16,204,831</u>
NON-CURRENT ASSETS			
Other receivables	4	119,220	110,652
Inventories	5	585,000	574,000
Property, plant and equipment	6	78,790,642	80,244,943
Infrastructure	7	<u>295,073,738</u>	<u>294,561,773</u>
TOTAL NON-CURRENT ASSETS		<u>374,568,600</u>	<u>375,491,368</u>
TOTAL ASSETS		<u>400,656,848</u>	<u>391,696,199</u>
CURRENT LIABILITIES			
Trade and other payables	8	2,145,366	1,482,628
Current portion of long term borrowings	9	600,922	641,677
Provisions	10	<u>1,775,192</u>	<u>1,596,430</u>
TOTAL CURRENT LIABILITIES		<u>4,521,480</u>	<u>3,720,735</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	7,878,788	8,483,027
Provisions	10	<u>426,145</u>	<u>432,289</u>
TOTAL NON-CURRENT LIABILITIES		<u>8,304,933</u>	<u>8,915,316</u>
TOTAL LIABILITIES		<u>12,826,413</u>	<u>12,636,051</u>
NET ASSETS		<u>387,830,435</u>	<u>379,060,148</u>
EQUITY			
Retained surplus		192,009,926	194,367,044
Reserves - cash backed	11	21,506,508	11,275,796
Revaluation surplus	12	<u>174,314,001</u>	<u>173,417,308</u>
TOTAL EQUITY		<u>387,830,435</u>	<u>379,060,148</u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
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		193,023,908	8,681,837	47,648,692	249,354,437
Comprehensive income					
Net result		3,937,095	0	0	3,937,095
Changes on revaluation of assets	12	0	0	125,768,616	125,768,616
Total comprehensive income		3,937,095	0	125,768,616	129,705,711
Transfers from/(to) reserves		(2,593,959)	2,593,959	0	0
		194,367,044	11,275,796	173,417,308	379,060,148
Balance as at 30 June 2015					
Comprehensive income					
Net result		7,873,594	0	0	7,873,594
Changes on revaluation of assets	12	0	0	896,693	896,693
Total comprehensive income		7,873,594	0	896,693	8,770,287
Transfers from/(to) reserves		(10,230,712)	10,230,712	0	0
		192,009,926	21,506,508	174,314,001	387,830,435
Balance as at 30 June 2016					

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

**SHIRE OF AUGUSTA MARGARET RIVER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		18,567,720	18,325,260	17,404,516
Operating grants, subsidies and contributions		1,692,242	1,526,355	4,024,232
Fees and charges		9,246,727	8,723,750	9,258,001
Service charges		4,333	4,333	4,333
Interest earnings		779,131	659,427	635,460
Goods and services tax		801,795	56,964	674,190
Other revenue		262,417	13,000	187,575
		<u>31,354,365</u>	<u>29,309,089</u>	<u>32,188,307</u>
Payments				
Employee costs		(12,833,589)	(13,566,610)	(12,854,860)
Materials and contracts		(6,867,521)	(7,359,802)	(8,888,818)
Utility charges		(1,173,270)	(1,106,864)	(1,106,146)
Interest expenses		(550,992)	(550,982)	(529,801)
Insurance expenses		(599,771)	(578,087)	(575,495)
Goods and services tax		(683,289)	0	(655,900)
Other expenditure		(393,675)	(418,562)	(418,447)
		<u>(23,102,107)</u>	<u>(23,580,907)</u>	<u>(25,029,467)</u>
Net cash provided by (used in) operating activities	13(b)	<u>8,252,258</u>	<u>5,728,182</u>	<u>7,158,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		(11,000)	0	(49,500)
Payments for purchase of property, plant & equipment		(1,482,340)	(6,542,435)	(2,177,329)
Payments for construction of infrastructure		(6,386,424)	(7,247,267)	(4,710,157)
Non-operating grants, subsidies and contributions		9,601,817	5,393,686	2,735,782
Proceeds from sale of fixed assets		1,126,783	1,160,228	193,842
Net cash provided by (used in) investment activities		<u>2,848,836</u>	<u>(7,235,788)</u>	<u>(4,007,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(644,994)	(641,677)	(581,451)
Advances to Community Groups		(50,000)	(50,000)	(12,768)
Proceeds from self supporting and interest free loans		46,528	13,036	13,600
Proceeds from new debentures		0	1,081,600	0
Net cash provided by (used in) financing activities		<u>(648,466)</u>	<u>402,959</u>	<u>(580,619)</u>
Net increase (decrease) in cash held		10,452,628	(1,104,647)	2,570,859
Cash at beginning of year		14,337,720	14,337,720	11,766,861
Cash and cash equivalents at the end of the year	13(a)	<u><u>24,790,348</u></u>	<u><u>13,233,073</u></u>	<u><u>14,337,720</u></u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Opening net current assets - surplus/(deficit)		3,430,813	3,410,710	2,433,267
		<u>3,430,813</u>	<u>3,410,710</u>	<u>2,433,267</u>
Revenue from operating activities (excluding rates)				
Governance		423,587	264,036	480,231
General purpose funding		1,848,308	1,556,611	2,970,761
Law, order, public safety		679,659	434,913	569,995
Health		112,292	100,552	94,545
Education and welfare		291,124	272,900	297,482
Community amenities		4,759,866	4,491,693	4,525,660
Recreation and culture		1,141,403	1,053,500	1,216,656
Transport		299,540	174,445	1,557,811
Economic services		2,275,705	2,154,860	2,263,506
Other property and services		53,465	40,000	84,321
		<u>11,884,949</u>	<u>10,543,510</u>	<u>14,060,968</u>
Expenditure from operating activities				
Governance		(6,621,989)	(7,121,259)	(6,372,916)
General purpose funding		(1,008,663)	(954,451)	(1,047,166)
Law, order, public safety		(1,629,080)	(1,343,226)	(1,312,530)
Health		(518,235)	(564,056)	(485,965)
Education and welfare		(339,706)	(289,892)	(279,630)
Community amenities		(3,004,752)	(3,624,086)	(2,996,919)
Recreation and culture		(8,150,081)	(7,950,379)	(7,519,586)
Transport		(9,275,551)	(8,594,744)	(9,261,129)
Economic services		(1,417,553)	(1,520,075)	(853,398)
Other property and services		(315,862)	(134,024)	(216,191)
		<u>(32,281,472)</u>	<u>(32,096,192)</u>	<u>(30,345,430)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	20	(22,409)	(16,645)	(61,907)
Loss on disposal of assets	20	495,832	35,139	54,034
Movement in deferred pensioner rates (non-current)		(4,888)	0	4,699
Movement in employee benefit provisions (non-current)		(6,144)	0	45,515
Depreciation and amortisation on assets	2(a)	8,107,587	7,076,400	6,935,832
Amount attributable to operating activities		<u>(8,395,732)</u>	<u>(11,047,078)</u>	<u>(6,873,022)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		9,601,817	5,393,686	2,735,782
Proceeds from disposal of assets	20	1,126,783	1,160,228	193,842
Purchase of land held for resale		(11,000)	0	(49,500)
Purchase of property, plant and equipment	6(b)	(1,482,340)	(6,542,435)	(2,177,329)
Purchase and construction of infrastructure	7(b)	(6,386,424)	(7,247,267)	(4,710,157)
Amount attributable to investing activities		<u>2,848,836</u>	<u>(7,235,788)</u>	<u>(4,007,362)</u>
FINANCING ACTIVITIES				
Advances to community groups (interest free loans)		(50,000)	(50,000)	(12,768)
Proceeds from self supporting and interest free loans		46,528	13,036	13,600
Repayment of debentures	21(a)	(644,994)	(641,677)	(581,451)
Proceeds from new debentures	21(a)	0	1,081,600	0
Transfers to reserves (restricted assets)	11	(10,404,106)	(2,280,753)	(4,485,065)
Transfers from reserves (restricted assets)	11	173,394	1,885,400	1,891,106
Amount attributable to financing activities		<u>(10,879,178)</u>	<u>7,606</u>	<u>(3,174,578)</u>
Surplus(deficiency) before general rates		<u>(16,426,074)</u>	<u>(18,275,260)</u>	<u>(14,054,962)</u>
Total amount raised from general rates	22	<u>18,668,300</u>	<u>18,275,260</u>	<u>17,485,775</u>
Closing net current assets - surplus/(deficit)	23	<u><u>2,242,226</u></u>	<u><u>0</u></u>	<u><u>3,430,813</u></u>

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

SHIRE OF AUGUSTA MARGARET RIVER
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 19 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(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 AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

SHIRE OF AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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	up to 50 years
Furniture and equipment	up to 10 years
Plant and equipment	up to 20 years
Sealed roads and streets	
formation	not depreciated
pavement	up to 50 years
seal	
- bituminous seals	up to 20 years
- asphalt surfaces	up to 20 years
Gravel roads	
formation	not depreciated
pavement	up to 50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	up to 50 years
Paths - concrete	up to 40 years
Paths - asphalt	up to 20 years
Bridges	up to 50 years
Carparks (sealed)	up to 40 years
Culverts	up to 50 years
Drainage systems	up to 80 years
Jetties and boatramps	up to 30 years
Waste management	up to 40 years
Public utilities	up to 40 years
Parks and Ovals (infrastructure)	up to 50 years
Playground equipment	up to 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.

Capitalisation threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

SHIRE OF AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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)
Valuation techniques (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 AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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 16.

(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 AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Notes:

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

**SHIRE OF AUGUSTA MARGARET RIVER
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 AUGUSTA MARGARET RIVER
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	27,138	29,540
- Assistance with the finalisation of the annual financial report	7,090	10,750
- Audit of grant reports and acquittals	9,400	17,750
Depreciation		
Buildings - specialised	1,374,321	1,369,185
Furniture and equipment	194,342	152,929
Plant and equipment	727,008	683,256
Infrastructure - Roads	3,279,525	3,683,953
Infrastructure - Road Bridges	171,578	8,054
Infrastructure - Car Parks	126,468	32,575
Infrastructure - Paths	337,590	85,591
Infrastructure - Drainage	695,447	78,688
Infrastructure - Caravan and Camping	43,450	29,280
Infrastructure - Parks and Reserves	867,773	425,001
Infrastructure - Aerodromes	104,421	127,265
Infrastructure - Boat Ramps and Jetties	113,543	161,233
Infrastructure - Waste Management Facilities	32,057	13,082
Infrastructure - Public Utilities	40,064	85,740
	<u>8,107,587</u>	<u>6,935,832</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	547,925	527,605
	<u>547,925</u>	<u>527,605</u>
Rental charges		
- Operating leases	711,689	549,523
	<u>711,689</u>	<u>549,523</u>
(ii) Crediting as revenue:		
Other revenue		
Reimbursements and recoveries	137,375	187,575
Other	125,042	0
	<u>262,417</u>	<u>187,575</u>
	<u>8,107,587</u>	<u>6,935,832</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	1,863	927
- Reserve funds	244,208	275,000
- Other funds	328,566	200,000
Other interest revenue (refer note 27)	204,494	183,500
	<u>779,131</u>	<u>659,427</u>
	<u>8,107,587</u>	<u>6,935,832</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

A prosperous and connected community that values its natural environment and character as it grows sustainably into the future.

Our mission "To protect the natural environment, strengthen our communities, foster local economic prosperity, and responsibly manage the community's infrastructure and assets."

Our values are Respect, Honesty, Commitment and Courage.

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:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

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:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

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

Activities:

Care of families and children, contributions to education and other welfare.

SHIRE OF AUGUSTA MARGARET RIVER
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)

HOUSING

Objective:

To provide rental and staff housing.

Activities:

Provision of staff and rental housing. However, the Shire has no housing of this nature.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection and disposal services, recycling, septic tank inspection services, environmental protection initiatives, administration of town planning and regional development services and the operation of other community amenities.

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

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

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

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

**SHIRE OF AUGUSTA MARGARET RIVER
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 \$
Dept for Premier and Cabinet/Premiers Recovery Fund	Governance	7,379	0	(7,379)	0	0	0	0
FESA - Capital Grants for Equipment & Buildings	Law, Order, Public Safety	92,282	0	(92,282)	0	0	0	0
Office for Crime Prevention/CSCP	Governance	54	0	(54)	0	0	0	0
South West Catchments Council (Bushfire Recovery)	Transport	3,093	0	(3,093)	0	0	0	0
Royalties For Regions CLGF Direct Grant - 2012/13	Transport	151,947	0	(151,947)	0	0	0	0
Department of Sport & Recreation/Kidz Sport Grant	Recreation And Culture	14,393	0	(14,393)	0	40,000	(40,000)	0
Dept of Local Government and Communities/Workforce Planning	Governance	25,000	0	(25,000)	0	0	0	0
WA Police/CCTV for Cowaramup Skatepark	Law, Order, Public Safety	16,500	0	(16,211)	289	0	(289)	0
South West Development Commission/Perimeter Rd Business Case	Community Amenities	10,000	0	(10,000)	0	0	0	0
South West Development Commission/Spring Festival	Governance	1,800	0	(1,800)	0	0	0	0
Royalties for Regions CLGF Regional Grant - 2012/13	Recreation And Culture	600,000	0	(600,000)	0	0	0	0
South West Development Commission/Cultural Centre equipment	Recreation And Culture	40,000	0	(40,000)	0	0	0	0
Regional Youth Collaboration Project	Governance	0	25,000	(4,471)	20,529	0	(17,752)	2,777
Tourism WA grant for Cowaramup Waste Transfer Station	Community Amenities	0	26,450	0	26,450	0	0	26,450
WALGGC Advance Payment for 2015-16	General Purpose Funding	0	651,156	0	651,156	0	(651,156)	0
DFES - Treatment Works, Bushfire Risk Management Planning	Law, Order & Public Safety	0	40,000	(11,703)	28,297	0	(24,493)	3,804
WAPOL Crime Prevention grant for Safer Communities Project.	Law, Order & Public Safety	0	9,939	(6,297)	3,642	0	(3,642)	0
Waterwise CIF - Recycled Wastewater Scheme Extension	Transport	0	10,000	0	10,000	0	(10,000)	0
MRWA Contribution to asphalt surfacing for Cowaramup townscape	Transport	0	154,000	0	154,000	0	(154,000)	0
DFES grant for Bushfire Risk Planning Coordinator	Law, Order & Public Safety	0	0	0	0	154,749	(57,182)	97,567
DFES grant for Bushfire Mitigation Program	Law, Order & Public Safety	0	0	0	0	10,000	0	10,000
Bridge Grant	Transport	0	0	0	0	495,276	(410,899)	84,377
Royalties for Regions grant for Margaret River Main Street project	Transport	0	0	0	0	5,490,000	0	5,490,000
Rotary Club contribution for design of Nature Play playground	Recreation and Culture	0	0	0	0	13,636	0	13,636
Total		962,448	916,545	(984,630)	894,363	6,203,661	(1,369,413)	5,728,611 ⁽⁴⁾

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.

(4) - For the closing balance as at 30/6/16, the unspent balance of \$5,490,000 pertaining to the Royalties for Regions grant was transferred to the Margaret River CBD Redevelopment reserve and the balance of unspent grants of \$238,611 is shown as restricted funds in Note 3.

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

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		3,045,229	2,167,561
Restricted		21,745,119	12,170,159
		<u>24,790,348</u>	<u>14,337,720</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	11	389,017	381,383
Margaret River CBD Redevelopment reserve	11	6,489,840	0
Public Open Space reserve	11	81,337	79,742
Caravan Park Upgrade reserve	11	1,488,105	1,188,308
Limesand Pits reserve	11	61,243	60,041
Cemeteries reserve	11	10,249	10,047
Community Loan reserve	11	151,199	137,359
Cedarvale reserve	11	220,934	216,599
Waste Management reserve	11	5,375,812	3,673,172
Parking reserve	11	148,519	145,605
Road Asset reserve	11	1,743,249	1,388,139
Bidiversity reserve	11	10,000	0
Community Facility reserve	11	2,332,177	1,947,944
Margaret River CBD reserve	11	0	75,600
Plant reserve	11	1,774,709	1,347,735
Affordable Housing Fund	11	49,212	48,246
Gravel Pits reserve	11	361,075	353,989
Self Insurance reserve	11	257,817	201,129
Recreation Centres reserve	11	6,928	6,794
Old Settlement reserve	11	29,244	13,964
Developer Contributions reserve	11	467,888	0
Community Grants reserve	11	10,000	0
Emergency Services reserve	11	47,954	0
Unspent grants	2(c)	238,611	894,363
		<u>21,745,119</u>	<u>12,170,159</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		422,042	326,350
Sundry debtors		181,471	441,084
GST receivable		0	118,506
Loans receivable - clubs/institutions		15,386	15,594
Accrued Interest Receivable		306,431	169,732
Prepayments		53,636	53,032
		<u>978,966</u>	<u>1,124,298</u>
Non-current			
Rates outstanding - pensioners		56,574	51,686
Loans receivable - clubs/institutions		62,646	58,966
		<u>119,220</u>	<u>110,652</u>
5. INVENTORIES			
Current			
Fuel and materials		318,934	742,813
		<u>318,934</u>	<u>742,813</u>
Non-current			
Land held for resale - cost			
Cost of acquisition		585,000	574,000
		<u>585,000</u>	<u>574,000</u>

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

	2016	2015
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	1,792,000	2,642,000
- Independent valuation 2014 - level 3	9,718,500	9,718,500
- Additions after valuation - cost	<u>909,091</u>	<u>909,091</u>
	<u>12,419,591</u>	<u>13,269,591</u>
Land - vested in and under the control of Council at:		
- Management valuation 2014 - level 3	<u>3,715,750</u>	<u>3,715,750</u>
	<u>3,715,750</u>	<u>3,715,750</u>
	<u><u>16,135,341</u></u>	<u><u>16,985,341</u></u>
Buildings - specialised at:		
- Independent valuation 2014 - level 3	55,919,159	56,323,159
- Additions after valuation - cost	1,967,530	1,701,061
Less: accumulated depreciation	<u>(3,282,346)</u>	<u>(1,933,674)</u>
	<u>54,604,343</u>	<u>56,090,546</u>
	<u><u>54,604,343</u></u>	<u><u>56,090,546</u></u>
Total land and buildings	<u><u>70,739,684</u></u>	<u><u>73,075,887</u></u>
Furniture and equipment at:		
- Management valuation 2013 - level 3	0	605,927
- Independent valuation 2016 - level 2	148,345	0
- Independent valuation 2016 - level 3	1,531,604	0
- Additions after valuation - cost	0	883,697
Less accumulated depreciation	<u>0</u>	<u>(289,934)</u>
	<u>1,679,949</u>	<u>1,199,690</u>
Plant and equipment at:		
- Management valuation 2013 - level 2	0	4,680,564
- Independent valuation 2016 - level 2	3,060,463	0
- Independent valuation 2016 - level 3	3,310,546	0
- Additions after valuation - cost	0	3,206,238
Less accumulated depreciation	<u>0</u>	<u>(1,917,436)</u>
	<u>6,371,009</u>	<u>5,969,366</u>
	<u><u>78,790,642</u></u>	<u><u>80,244,943</u></u>

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

SHIRE OF AUGUSTA MARGARET RIVER
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 to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	13,269,591	0	(850,000)	0	0	0	0	0	12,419,591
Land - vested in and under the control of Council	3,715,750	0	0	0	0	0	0	0	3,715,750
Total land	16,985,341	0	(850,000)	0	0	0	0	0	16,135,341
Buildings - specialised	56,090,546	266,469	(378,351)	0	0	0	(1,374,321)	0	54,604,343
Total buildings	56,090,546	266,469	(378,351)	0	0	0	(1,374,321)	0	54,604,343
Total land and buildings	73,075,887	266,469	(1,228,351)	0	0	0	(1,374,321)	0	70,739,684
Furniture and equipment	1,199,690	496,481	(20,589)	198,709	0	0	(194,342)	0	1,679,949
Plant and equipment	5,969,366	719,390	(288,723)	697,984	0	0	(727,008)	0	6,371,009
Total property, plant and equipment	80,244,943	1,482,340	(1,537,663)	896,693	0	0	(2,295,671)	0	78,790,642

**SHIRE OF AUGUSTA MARGARET RIVER
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	Level 2 and Level 3	Market approach using recent observable market data for similar properties.	Independent Registered Valuers	June 2014	Price per hectare, zoning of land. Market values were used (level 2 inputs) unless there were some restrictions or other factors associated with the land which resulted in land being deemed to be valued using Level 3 inputs.
Land - vested in and under the control of Council	Level 3	Improvements to land valued using cost approach.	Management Valuation	June 2014	Improvements to land using estimated construction costs (Level 2 inputs), residual values and remaining useful life (level 3 inputs).
Buildings - specialised	Level 3	Current replacement cost using both observable and unobservable inputs.	Independent Registered Valuers	June 2014	Construction costs based on recent contract prices and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Furniture and equipment					
	Level 2 and Level 3	Market approach using recent observable market data. Current replacement cost using both observable and unobservable inputs.	Independent Registered Valuers	June 2016	Current replacement cost and condition assessment (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Plant and equipment	Level 2 and Level 3	Market approach using recent observable market data for similar items.	Independent Registered Valuers	June 2016	Open market values of similar assets adjusted for condition and comparability (level 2 inputs), 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 AUGUSTA MARGARET RIVER
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016 \$	2015 \$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	209,568,252	209,568,252
- Additions after valuation - cost	3,203,974	0
Less accumulated depreciation	<u>(3,279,525)</u>	<u>0</u>
	209,492,701	209,568,252
Infrastructure - Road Bridges		
- Management valuation 2015 - level 3	6,091,899	6,091,899
- Additions after valuation - cost	410,899	0
Less accumulated depreciation	<u>(171,578)</u>	<u>0</u>
	6,331,220	6,091,899
Infrastructure - Car Parks		
- Management valuation 2015 - level 3	4,945,301	4,945,301
- Additions after valuation - cost	22,880	0
Less accumulated depreciation	<u>(126,468)</u>	<u>0</u>
	4,841,713	4,945,301
Infrastructure - Paths		
- Management valuation 2015 - level 3	9,506,555	9,506,555
- Additions after valuation - cost	539,445	0
Less accumulated depreciation	<u>(337,590)</u>	<u>0</u>
	9,708,410	9,506,555
Infrastructure - Drainage		
- Management valuation 2015 - level 3	36,059,366	36,059,366
- Additions after valuation - cost	961,708	0
Less accumulated depreciation	<u>(695,447)</u>	<u>0</u>
	36,325,627	36,059,366
Infrastructure - Caravan and Camping		
- Management valuation 2015 - level 3	1,797,059	1,797,059
- Additions after valuation - cost	28,927	0
Less accumulated depreciation	<u>(43,450)</u>	<u>0</u>
	1,782,536	1,797,059
Infrastructure - Parks and Reserves		
- Management valuation 2015 - level 3	19,092,800	19,140,142
- Additions after valuation - cost	767,470	0
Less accumulated depreciation	<u>(867,773)</u>	<u>0</u>
	18,992,497	19,140,142
Infrastructure - Aerodromes		
- Management valuation 2015 - level 3	2,421,170	2,421,170
- Additions after valuation - cost	97,393	0
Less accumulated depreciation	<u>(104,421)</u>	<u>0</u>
	2,414,142	2,421,170

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

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE (Continued)		
Infrastructure - Boat Ramps and Jetties		
- Management valuation 2015 - level 3	1,330,930	1,346,131
- Additions after valuation - cost	7,942	0
Less accumulated depreciation	<u>(113,543)</u>	<u>0</u>
	<u>1,225,329</u>	<u>1,346,131</u>
Infrastructure - Waste Management Facilities		
- Management valuation 2015 - level 3	672,122	672,122
- Additions after valuation - cost	333,089	0
Less accumulated depreciation	<u>(32,057)</u>	<u>0</u>
	<u>973,154</u>	<u>672,122</u>
Infrastructure - Public Utilities		
- Management valuation 2015 - level 3	3,013,776	3,013,776
- Additions after valuation - cost	12,697	0
Less accumulated depreciation	<u>(40,064)</u>	<u>0</u>
	<u>2,986,409</u>	<u>3,013,776</u>
	<u><u>295,073,738</u></u>	<u><u>294,561,773</u></u>

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

**SHIRE OF AUGUSTA MARGARET RIVER
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	209,568,252	3,203,974	0	0	0	0	(3,279,525)	0	209,492,701
Infrastructure - Road Bridges	6,091,899	410,899	0	0	0	0	(171,578)	0	6,331,220
Infrastructure - Car Parks	4,945,301	22,880	0	0	0	0	(126,468)	0	4,841,713
Infrastructure - Paths	9,506,555	539,445	0	0	0	0	(337,590)	0	9,708,410
Infrastructure - Drainage	36,059,366	961,708	0	0	0	0	(695,447)	0	36,325,627
Infrastructure - Caravan and Camping	1,797,059	28,927	0	0	0	0	(43,450)	0	1,782,536
Infrastructure - Parks and Reserves	19,140,142	767,470	(47,342)	0	0	0	(867,773)	0	18,992,497
Infrastructure - Aerodromes	2,421,170	97,393	0	0	0	0	(104,421)	0	2,414,142
Infrastructure - Boat Ramps and Jetties	1,346,131	7,942	(15,201)	0	0	0	(113,543)	0	1,225,329
Infrastructure - Waste Management Facili	672,122	333,089	0	0	0	0	(32,057)	0	973,154
Infrastructure - Public Utilities	3,013,776	12,697	0	0	0	0	(40,064)	0	2,986,409
Total infrastructure	<u>294,561,773</u>	<u>6,386,424</u>	<u>(62,543)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,811,916)</u>	<u>0</u>	<u>295,073,738</u>

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Road Bridges	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Car Parks	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Paths	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Caravan and Camping	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Parks and Reserves	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Aerodromes	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Boat Ramps and Jetties	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Waste Management Facilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).
Infrastructure - Public Utilities	Level 3	Cost approach using depreciated replacement cost.	Management Valuation	June 2015	Construction costs and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs).

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

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

SHIRE OF AUGUSTA MARGARET RIVER
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	1,256,043	1,163,572
Accrued interest on debentures	12,924	15,991
Accrued salaries and wages	323,582	227,511
ATO liabilities	426,956	18,357
Income received in advance	125,861	57,197
	<u>2,145,366</u>	<u>1,482,628</u>

9. LONG-TERM BORROWINGS

Current

Secured by floating charge		
Debentures	600,922	641,677
	<u>600,922</u>	<u>641,677</u>

Non-current

Secured by floating charge		
Debentures	7,878,788	8,483,027
	<u>7,878,788</u>	<u>8,483,027</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Personal Leave Reward Scheme \$	Total \$
Opening balance at 1 July 2015				
Current provisions	989,001	379,965	227,464	1,596,430
Non-current provisions	0	432,289	0	432,289
	<u>989,001</u>	<u>812,254</u>	<u>227,464</u>	<u>2,028,719</u>
Additional provision	1,002,755	348,853	0	1,351,608
Amounts used - current employees	(914,672)	(189,071)	0	(1,103,743)
Amounts used - past employees	0	(40,430)	(34,817)	(75,247)
Balance at 30 June 2016	<u>1,077,084</u>	<u>931,606</u>	<u>192,647</u>	<u>2,201,337</u>
Comprises				
Current	1,077,084	505,461	192,647	1,775,192
Non-current	0	426,145	0	426,145
	<u>1,077,084</u>	<u>931,606</u>	<u>192,647</u>	<u>2,201,337</u>

SHIRE OF AUGUSTA MARGARET RIVER
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11. 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	381,383	7,634	0	389,017	381,383	10,488	0	391,871	331,619	49,764	0	381,383
Margaret River CBD Redevelopment reserve	0	6,489,840	0	6,489,840	0	909,000	0	909,000	0	0	0	0
Public Open Space reserve	79,742	1,595	0	81,337	79,742	2,193	0	81,935	77,931	1,811	0	79,742
Caravan Park Upgrade reserve	1,188,308	299,797	0	1,488,105	1,203,863	85,803	(720,000)	569,666	721,228	467,080	0	1,188,308
Limesand Pits reserve	60,041	1,202	0	61,243	60,041	1,651	0	61,692	38,173	21,868	0	60,041
Cemeteries reserve	10,047	202	0	10,249	10,047	276	0	10,323	9,818	229	0	10,047
Community Loan reserve	137,359	63,840	(50,000)	151,199	87,359	13,456	(50,000)	50,815	41,904	108,223	(12,768)	137,359
Cedarvale reserve	216,599	4,335	0	220,934	216,599	5,956	0	222,555	211,678	4,921	0	216,599
Waste Management reserve	3,673,172	1,702,640	0	5,375,812	3,787,507	805,711	0	4,593,218	1,812,007	1,861,165	0	3,673,172
Parking reserve	145,605	2,914	0	148,519	145,605	4,004	0	149,609	142,297	3,308	0	145,605
Road Asset reserve	1,388,139	355,110	0	1,743,249	1,388,139	38,174	(111,000)	1,315,313	1,208,327	179,812	0	1,388,139
Biodiversity reserve	0	10,000	0	10,000	0	0	0	0	0	0	0	0
Community Facility reserve	1,947,944	432,027	(47,794)	2,332,177	1,947,944	108,568	(704,400)	1,352,112	3,163,550	594,394	(1,810,000)	1,947,944
Margaret River CBD reserve	75,600	0	(75,600)	0	75,600	2,079	0	77,679	73,881	1,719	0	75,600
Plant reserve	1,347,735	426,974	0	1,774,709	1,547,735	32,938	(300,000)	1,280,673	678,166	669,569	0	1,347,735
Affordable Housing Fund	48,246	966	0	49,212	48,246	1,327	0	49,573	47,151	1,095	0	48,246
Gravel Pits reserve	353,989	7,086	0	361,075	353,990	9,027	0	363,017	20,504	401,823	(68,338)	353,989
Self Insurance reserve	201,129	56,688	0	257,817	201,129	5,531	0	206,660	99,145	101,984	0	201,129
Recreation Centres reserve	6,794	134	0	6,928	6,794	5,187	0	11,981	4,458	2,336	0	6,794
Old Settlement reserve	13,964	15,280	0	29,244	13,964	19,384	0	33,348	0	13,964	0	13,964
Developer Contributions reserve	0	467,888	0	467,888	0	200,000	0	200,000	0	0	0	0
Community Grants reserve	0	10,000	0	10,000	0	20,000	0	20,000	0	0	0	0
Emergency Services reserve	0	47,954	0	47,954	0	0	0	0	0	0	0	0
	<u>11,275,796</u>	<u>10,404,106</u>	<u>(173,394)</u>	<u>21,506,508</u>	<u>11,555,687</u>	<u>2,280,753</u>	<u>(1,885,400)</u>	<u>11,951,040</u>	<u>8,681,837</u>	<u>4,485,065</u>	<u>(1,891,106)</u>	<u>11,275,796</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 AUGUSTA MARGARET RIVER
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11. 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 Reseve	Anticipated date of use	Purpose of the reserve
Leave reserve	Ongoing	To be used to fund annual and long service leave requirements.
Margaret River CBD Redevelopment reserve	Ongoing	To be used for funding capital projects in the Margaret River townsite.
Public Open Space reserve	Ongoing	To be used to fund future public open space requirements.
Caravan Park Upgrade reserve	Ongoing	To be used for the upgrading of Caravan Parks and Camping Grounds.
Limesand Pits reserve	Ongoing	Rehabilitation and development of the Boranup, Redgate and any other Shire limesand pits.
Cemeteries reserve	Ongoing	To be used for the upgrade of Cemeteries.
Community Loan reserve	Ongoing	Interest free funding for eligible groups aassociated with sporting and cultural activities.
Cedarvale reserve	Ongoing	To meet obligations in respect of the Cedarvale agreement for the Gnarabup site and future foreshore rehabilitation at Prevelly and Gnarabup.
Waste Management reserve	Ongoing	To fund future waste facility and plant requirements.
Parking reserve	Ongoing	To be used to fund future car parking requirements.
Road Asset reserve	Ongoing	To be used to fund future road and drainage maintenance and construction requirements.
Bidiversity reserve	Ongoing	To be used for the funding of biodiversity initiatives
Community Facility reserve	Ongoing	To be used for the construction and major maintenance of community buildings and facilities.
Margaret River CBD reserve	Ongoing	This reserve has been combined with the Margaret River CBD Redevelopment Reserve.
Plant reserve	Ongoing	to be used for the purchase of plant, vehicles and equipment.
Affordable Housing Fund	Ongoing	Infrastructure and capital improvements within the Cowaramup townsite and area covered by the West Cowaramup townsite strategy.
Gravel Pits reserve	Ongoing	Rehabilitation and development of the Shire's gravel and other related resource reserves.
Self Insurance reserve	Ongoing	To fund self insurance, workers compensation performance risk, risk management and other related employee and organisational activities.
Recreation Centres reserve	Ongoing	Income from advertising signs is reserved for future improvements to facilities.
Old Settlement reserve	Ongoing	Income from the lease of the Old Settlement site is reserved for future improvements to facilities.
Developer Contributions reserve	Ongoing	Funds received and used in accordance with the Developer Contributions Plan.
Community Grants reserve	Ongoing	Funds received from sale of special services vehicle registration plates and other initiatives are provided as community grants.
Emergency Services reserve	Ongoing	To be used to support the provision of emergency services in the Shire.

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

12. REVALUATION SURPLUS

	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	Decrement	Revaluation	Balance	Balance	Increment	Decrement	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	43,420,519	0	0	0	43,420,519	43,420,519	0	0	0	43,420,519
Plant and equipment	1,449,986	896,693	0	896,693	2,346,679	1,449,986	0	0	0	1,449,986
Infrastructure - Roads	79,903,207	0	0	0	79,903,207	0	79,903,207	0	79,903,207	79,903,207
Infrastructure - Road Bridges	5,510,485	0	0	0	5,510,485	0	5,510,485	0	5,510,485	5,510,485
Infrastructure - Car Parks	3,585,853	0	0	0	3,585,853	0	3,585,853	0	3,585,853	3,585,853
Infrastructure - Paths	4,347,247	0	0	0	4,347,247	0	4,347,247	0	4,347,247	4,347,247
Infrastructure - Drainage	30,481,607	0	0	0	30,481,607	0	30,481,607	0	30,481,607	30,481,607
Infrastructure - Caravan and Camping	1,173,470	0	0	0	1,173,470	0	1,173,470	0	1,173,470	1,173,470
Infrastructure - Parks and Reserves	805,694	0	0	0	805,694	0	805,694	0	805,694	805,694
Infrastructure - Aerodromes	2,073,263	0	0	0	2,073,263	1,463,990	609,273	0	609,273	2,073,263
Infrastructure - Boat Ramps and Jetties	568,997	0	0	0	568,997	1,314,197	0	(745,200)	(745,200)	568,997
Infrastructure - Waste Management Facilities	36,288	0	0	0	36,288	0	36,288	0	36,288	36,288
Infrastructure - Public Utilities	60,692	0	0	0	60,692	0	60,692	0	60,692	60,692
	173,417,308	896,693	0	896,693	174,314,001	47,648,692	126,513,816	(745,200)	125,768,616	173,417,308

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>24,790,348</u>	<u>13,233,073</u>	<u>14,337,720</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	7,873,594	2,116,264	3,937,095
Non-cash flows in Net result:			
Depreciation	8,107,587	7,076,400	6,935,832
(Profit)/Loss on sale of asset	473,423	18,494	(7,873)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	277,539	470,000	138,193
(Increase)/Decrease in inventories	423,879	360,000	(657,305)
Increase/(Decrease) in payables	662,738	960,710	(542,227)
Increase/(Decrease) in provisions	172,618	120,000	75,795
Increase/(Decrease) in accrued interest receivable	(136,699)	0	(90,622)
Increase/(Decrease) in prepayments	(604)	0	105,734
Grants contributions for the development of assets	<u>(9,601,817)</u>	<u>(5,393,686)</u>	<u>(2,735,782)</u>
Net cash from operating activities	<u>8,252,258</u>	<u>5,728,182</u>	<u>7,158,840</u>
	2016		2015
	\$		\$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit	0		0
Bank overdraft at balance date	0		0
Credit card limit	34,000		34,000
Credit card balance at balance date	<u>(9,439)</u>		<u>(5,082)</u>
Total amount of credit unused	<u>24,561</u>		<u>28,918</u>
Loan facilities			
Loan facilities - current	600,922		641,677
Loan facilities - non-current	<u>7,878,788</u>		<u>8,483,027</u>
Total facilities in use at balance date	<u>8,479,710</u>		<u>9,124,704</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

**SHIRE OF AUGUSTA MARGARET RIVER
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FOR THE YEAR ENDED 30TH JUNE 2016**

14. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2016.

15. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating lease contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	466,841	580,807
- later than one year but not later than five years	772,473	862,188
- later than five years	0	13,080
	<u>1,239,314</u>	<u>1,456,075</u>

(b) Capital Expenditure Commitments

Contracted for:		
- plant & equipment purchases	62,300	0

Payable:		
- not later than one year	62,300	0

The capital expenditure commitment relates to the contracted purchase of a small truck.

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

16. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	22,291,118	12,404,960
General purpose funding	5,905,000	5,905,000
Law, order, public safety	3,477,532	3,891,654
Health	71,036	73,223
Education and welfare	1,264,009	1,241,596
Housing	95,866	95,866
Community amenities	17,121,817	16,845,980
Recreation and culture	59,392,317	60,091,384
Transport	288,201,925	286,620,439
Economic services	1,672,178	1,704,838
Other property and services	1,142,599	2,799,809
Unallocated	21,451	21,450
	<u>400,656,848</u>	<u>391,696,199</u>

**SHIRE OF AUGUSTA MARGARET RIVER
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	2016	2015	2014
18. FINANCIAL RATIOS			
Current ratio	1.05	1.21	1.07
Asset sustainability ratio	0.73	0.57	1.10
Debt service cover ratio	5.81	7.81	4.92
Operating surplus ratio	(0.06)	0.04	(0.05)
Own source revenue coverage ratio	0.89	0.91	0.91

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:

- (a) Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 61 of this document.
- (b) For 2016 and 2015, the Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$651,156.
- (c) For 2015, the Current ratio as disclosed above was also distorted by the early receipt of the 2015-16 Financial Assistance Grant prior to year end.
- (d) For 2014, the Current, Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by the change to the payment of Financial Assistance Grants during the year ended 30 June 2014 which saw the advance payment for the first quarter of the following year cease. This created a timing difference which resulted in an amount of \$662,601 less revenue for the year.

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

	2016	2015	2014
Current ratio	1.05	1.01	1.24
Debt service cover ratio	6.35	7.23	5.43
Operating surplus ratio	(0.04)	0.02	(0.02)

**SHIRE OF AUGUSTA MARGARET RIVER
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19. TRUST FUNDS

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

	1 July 2015	Amounts Received	Amounts Paid	30 June 2016
	\$	\$	\$	\$
Unclaimed Monies	2,754	98	(44)	2,808
Fire Protection	321	0	0	321
BCITF Levy	11,157	120,815	(119,776)	12,196
DPI Licensing	57,296	3,080,005	(3,085,097)	52,204
BRB Levy	6,620	127,112	(121,839)	11,893
ESL Levy	(4,931)	735,493	(732,084)	(1,522)
Community Arts Events	3,308	0	0	3,308
Public Open Space	188,274	90,000	0	278,274
Bonds	778,454	749,064	(256,740)	1,270,778
	<u>1,043,253</u>			<u>1,630,260</u>

SHIRE OF AUGUSTA MARGARET RIVER
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20. 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								
<u>Governance</u>								
Scanner	2,720	0	0	(2,720)	0	0	0	0
<u>Law, Order & Public Safety</u>								
Equipment	0	0	0	0	3,500	3,500	0	0
Utility (SES)	20,335	0	0	(20,335)	0	0	0	0
Personnel Carrier (SES)	19,747	0	0	(19,747)	0	0	0	0
Light tanker	4,742	0	0	(4,742)	0	0	0	0
<u>Recreation and Culture</u>								
Weight machines	15,921	0	0	(15,921)	0	0	0	0
Fly Tower	502	0	0	(502)	0	0	0	0
<u>Transport</u>								
Truck	0	0	0	0	18,182	18,182	0	0
Mower/Slasher	9,258	4,550	0	(4,708)	9,258	13,636	4,378	0
Trailer	0	0	0	0	6,083	9,091	3,008	0
Trailer	0	0	0	0	6,973	9,091	2,118	0
Mower/Slasher	2,273	2,273	0	0	2,292	2,273	0	(19)
Truck	54,389	59,100	4,711	0	69,997	45,455	0	(24,542)
Mower/Slasher	0	2,733	2,733	0	0	2,727	2,727	0
Trailer	809	1,897	1,088	0	809	1,818	1,009	0
Utility	12,643	14,447	1,804	0	15,706	10,909	0	(4,797)
Utility	10,454	14,674	4,220	0	10,454	10,455	1	0
Utility	0	0	0	0	15,645	10,909	0	(4,736)
Passenger vehicle	11,663	7,910	0	(3,753)	11,663	11,818	155	0
Passenger vehicle	10,532	9,729	0	(803)	10,531	11,818	1,287	0
Passenger vehicle	8,604	7,001	0	(1,603)	8,604	10,455	1,851	0
Passenger vehicle	10,455	9,547	0	(908)	11,500	10,455	0	(1,045)
Passenger vehicle	13,525	12,001	0	(1,524)	13,525	13,636	111	0
Loader/Crawler	40,960	14,609	0	(26,351)	0	0	0	0
Utility	13,439	8,820	0	(4,619)	0	0	0	0
Passenger vehicle	10,909	15,638	4,729	0	0	0	0	0
Trailer	0	455	455	0	0	0	0	0
Utility	7,514	8,820	1,306	0	0	0	0	0
Skid Steer Loader	5,397	3,791	0	(1,606)	0	0	0	0
Polesaw	710	500	0	(210)	0	0	0	0
Ride-on Mower	455	1,818	1,363	0	0	0	0	0
Passenger vehicle	18,962	17,470	0	(1,492)	0	0	0	0
Pro Logger	1,446	0	0	(1,446)	0	0	0	0
Chainsaw	949	0	0	(949)	0	0	0	0
Land and Buildings								
<u>Law, Order & Public Safety</u>								
Old SES Building	95,772	0	0	(95,772)	0	0	0	0
<u>Other Property and Services</u>								
Pre-school Centre	1,132,578	909,000	0	(223,578)	964,000	964,000	0	0
Infrastructure								
Jetty - Alexandra Bridge	9,535	0	0	(9,535)	0	0	0	0
Pontoon	5,666	0	0	(5,666)	0	0	0	0
Park Assets-Playground Equipment	47,342	0	0	(47,342)	0	0	0	0
	<u>1,600,206</u>	<u>1,126,783</u>	<u>22,409</u>	<u>(495,832)</u>	<u>1,178,722</u>	<u>1,160,228</u>	<u>16,645</u>	<u>(35,139)</u>

**SHIRE OF AUGUSTA MARGARET RIVER
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21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Loan No.	Expiry	Principal	New	Principal		Principal		Interest	
			1 July 2015 \$		Loans \$	Repayments Actual \$	Budget \$	30 June 2016 Actual \$	Budget \$	Repayments Actual \$
Governance										
Civic and Administration Building	191	2032	6,593,801	0	261,000	257,684	6,332,801	6,336,116	378,022	381,846
Community amenities										
Augusta Town Toilets	184	2019	41,928	0	9,645	9,645	32,283	32,283	2,278	2,396
Margaret River Memorial Toilet Block	186	2019	84,961	0	19,391	19,391	65,570	65,570	5,112	5,254
Augusta Water Wheel Toilets	188	2020	49,548	0	9,278	9,278	40,270	40,270	3,123	3,170
Recreation and culture										
Aquatic Centre	164	2020	436,408	0	71,268	71,268	365,140	365,140	30,225	31,981
Cowaramup Recreation Centre	174	2024	295,904	0	26,153	26,153	269,751	269,751	19,760	20,281
MR Recreation Centre Solar Power	185	2019	32,611	0	7,502	7,502	25,109	25,109	1,772	1,864
MR Recreation Centre (stage 1)	187	2024	339,772	0	28,545	28,545	311,227	311,227	24,163	24,312
MR Recreation Centre (stage 2)	189	2020	326,464	0	61,129	61,129	265,335	265,335	20,578	20,887
Transport										
Purchase of Motor Vehicles	158	2016	46,968	0	46,968	46,967	0	0	1,872	2,013
Economic services										
Augusta Rural Transaction Centre	173	2024	448,496	0	38,940	38,940	409,556	409,556	30,121	30,822
Gnarabup Café	179	2024	242,026	0	20,592	20,592	221,434	221,434	16,358	16,683
Gnarabup Café	181	2026	139,025	0	9,108	9,108	129,917	129,917	9,320	9,393
Other property and services										
			9,077,912	0	609,519	606,202	8,468,393	8,471,708	542,704	550,902
Self Supporting Loans										
Recreation and culture										
Augusta Bowling Club	183	2018	15,853	0	4,536	4,536	11,317	11,317	1,001	1,021
Economic services										
MR Community Resource Centre	180	2024	30,939	0	30,939	30,939	0	0	4,220	4,059
			46,792	0	35,475	35,475	11,317	11,317	5,221	5,080
			9,124,704	0	644,994	641,677	8,479,710	8,483,025	547,925	555,982

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

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

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

The Shire did not have any overdraft facility as at 30 June 2016.

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

22. 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											
Residential GRV	0.096050	3,880	66,032,701	6,342,444	82,186	19,678	6,444,308	6,337,561	40,000	10,000	6,387,561
Residential GRV Vacant	0.184000	299	3,784,560	696,359	165,512	1,643	863,514	736,937	0	0	736,937
Rural Residential GRV	0.092010	623	12,560,920	1,155,730	4,217	1,766	1,161,713	1,163,984	0	0	1,163,984
Rural Residential GRV Vacant	0.179100	150	1,841,310	329,779	6,061	6	335,846	329,779	0	0	329,779
Industrial, Commercial & Tourism	0.113770	998	35,319,161	4,018,261	72,359	14,051	4,104,671	3,946,606	0	0	3,946,606
Unimproved value valuations											
UV Rural	0.004267	774	517,944,000	2,210,067	48,456	(617)	2,257,906	2,227,037	0	0	2,227,037
UV 1 (one non rural use)	0.005334	110	72,190,000	385,061	(3,735)	0	381,326	359,218	0	0	359,218
UV 2 (two non rural uses)	0.006401	19	12,994,000	83,175	0	0	83,175	75,845	0	0	75,845
UV 3 (over two non rural uses)	0.007467	17	14,043,000	104,859	0	0	104,859	104,859	0	0	104,859
UV conservation	0.004107	72	60,445,000	248,248	81	0	248,329	251,242	0	0	251,242
Sub-Total		6,942	797,154,652	15,573,983	375,137	36,527	15,985,647	15,533,068	40,000	10,000	15,583,068
Minimum payment	Minimum										
	\$										
Gross rental value valuations											
Residential GRV	1,191	850	9,029,481	1,012,350	0	0	1,012,350	1,020,687	0	0	1,020,687
Residential GRV Vacant	1,191	725	3,125,955	863,475	0	0	863,475	862,284	0	0	862,284
Rural Residential GRV	1,450	134	1,834,464	194,300	0	0	194,300	195,750	0	0	195,750
Rural Residential GRV Vacant	1,450	11	69,000	15,950	0	0	15,950	14,500	0	0	14,500
Industrial, Commercial & Tourism	1,280	236	1,833,478	302,080	0	0	302,080	307,200	0	0	307,200
Unimproved value valuations											
UV Rural	1,337	179	36,419,704	239,323	0	0	239,323	237,986	0	0	237,986
UV Strata Title Vineyard	785	37	2,700,000	29,045	0	0	29,045	29,045	0	0	29,045
UV 1 (one non rural use)	1,337	6	1,263,000	8,022	0	0	8,022	8,022	0	0	8,022
UV 2 (two non rural uses)	1,337	0	0	0	0	0	0	0	0	0	0
UV 3 (over two non rural uses)	1,337	0	0	0	0	0	0	0	0	0	0
UV Conservation	1,286	14	3,150,000	18,004	0	0	18,004	16,718	0	0	16,718
Sub-Total		2,192	59,425,082	2,682,549	0	0	2,682,549	2,692,192	0	0	2,692,192
		9,134	856,579,734	18,256,532	375,137	36,527	18,668,196	18,225,260	40,000	10,000	18,275,260
Movement in Excess Rates							104				0
Total amount raised from general rate							18,668,300				18,275,260
Totals							18,668,300				18,275,260

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

23. 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)	<u>2,242,226</u>	<u>3,430,813</u>	<u>3,430,813</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	3,045,229	2,167,561	2,167,561
Restricted	21,745,119	12,170,159	12,170,159
Receivables			
Rates outstanding	422,042	326,350	326,350
Sundry debtors	181,471	441,084	441,084
GST receivable	0	118,506	118,506
Loans receivable - clubs/institutions	15,386	15,594	15,594
Accrued Interest Receivable	306,431	169,732	169,732
Prepayments	53,636	53,032	53,032
Inventories			
Fuel and materials	318,934	742,813	742,813
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(1,256,043)	(1,163,572)	(1,163,572)
Accrued interest on debentures	(12,924)	(15,991)	(15,991)
Accrued salaries and wages	(323,582)	(227,511)	(227,511)
ATO liabilities	(426,956)	(18,357)	(18,357)
Income received in advance	(125,861)	(57,197)	(57,197)
Current portion of long term borrowings			
Secured by floating charge	(600,922)	(641,677)	(641,677)
Provisions			
Provision for annual leave	(1,077,084)	(989,001)	(989,001)
Provision for long service leave	(505,461)	(379,965)	(379,965)
Provision for personal leave reward scheme	(192,647)	(227,464)	(227,464)
Unadjusted net current assets	<u>21,566,768</u>	<u>12,484,096</u>	<u>12,484,096</u>
Adjustments			
Less: Reserves - restricted cash	(21,506,508)	(11,275,796)	(11,275,796)
Less: Loans receivable - clubs/institutions	(15,386)	(15,594)	(15,594)
Add: Secured by floating charge	600,922	641,677	641,677
Add: Leave component backed by cash reserve	389,017	381,383	381,383
Add: Leave component not required to be funded	1,207,413	1,215,047	1,215,047
Adjusted net current assets - surplus/(deficit)	<u><u>2,242,226</u></u>	<u><u>3,430,813</u></u>	<u><u>3,430,813</u></u>

Difference

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

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

24. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAF

The Shire did not impose any specified area rates.

25. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Charges Applied to Costs \$	Charges Set Aside to Reserve \$	Reserve Applied to Costs \$	Budget Charges Applied to Costs \$	Budget Charges Set Aside to Reserve \$	Budget Reserve Applied to Costs \$
Service Charges									
Cowaramup Underground Power	333	4,333	4,333	4,333	0	0	4,333	0	0
		4,333	4,333	4,333	0	0	4,333	0	0

Nature of the Service Charge

Council imposed a service charge in 2011-12 for undergrounding of electricity in Cowaramup.

Objects of the Charge

Properties in the defined area are charged an equal annual amount for 10 years.

Reasons for the Charge

To recover the cost of the service from the rateable properties benefiting from the improved service.

Area/Properties Charge Imposed

12 rateable properties located on Bussell Hwy between Peake Street and 30 metres south of Bottrill Street.

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

Rates Discounts

No discounts for receiving rates payments on time are offered by the Shire.

Rates Incentives

Ratepayers are provided with a rate incentive prize for payments received by the due date.

Waivers or Concessions

No rate concessions were approved by Council in 2015-16.

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

27. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAF

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	07-Sep-15			11.00%
Option Two				
First Instalment	07-Sep-15		5.50%	11.00%
Second Instalment	09-Nov-15	7.25	5.50%	11.00%
Third Instalment	11-Jan-16	7.25	5.50%	11.00%
Fourth Instalment	14-Mar-16	7.25	5.50%	11.00%
			Revenue	Budgeted Revenue
			\$	\$
Interest on unpaid rates			72,457	56,000
Interest on instalment plan			128,805	125,000
Charges on instalment plan			71,320	75,000
Pensioner Deferred Interest			1,441	1,000
ESL Penalty Interest			1,791	1,500
			275,814	258,500

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

28. FEES & CHARGES	2016	2015
	\$	\$
Governance	243,071	216,398
General purpose funding	207,342	220,240
Law, order, public safety	174,179	178,721
Health	112,292	94,545
Education and welfare	276,124	282,802
Community amenities	4,745,862	4,470,089
Recreation and culture	1,008,048	1,029,064
Transport	212,540	503,214
Economic services	2,265,807	2,262,928
Other property and services	1,462	0
	<u>9,246,727</u>	<u>9,258,001</u>

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

29. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	66,474	125,758
General purpose funding	720,127	2,020,105
Law, order, public safety	505,480	391,275
Education and welfare	15,000	14,680
Community amenities	14,004	55,571
Recreation and culture	133,355	187,592
Transport	64,591	992,691
Economic services	9,898	578
Other property and services	41,003	34,820
	<u>1,569,932</u>	<u>3,823,070</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	345,579
Community amenities	467,888	26,450
Recreation and culture	98,808	329,900
Transport	9,035,121	2,033,853
	<u>9,601,817</u>	<u>2,735,782</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

161	158
-----	-----

31. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	130,380	130,278	127,101
President's allowance	37,884	37,823	36,900
Deputy President's allowance	9,368	9,456	9,225
Travelling expenses	11,833	8,400	5,556
Telecommunications allowance	24,510	24,500	24,499
	<u>213,975</u>	<u>210,457</u>	<u>203,281</u>

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

32. MAJOR LAND TRANSACTIONS

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

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

34. 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	24,790,348	14,337,720	24,790,348	14,337,720
Receivables	1,098,186	1,234,950	1,098,186	1,234,950
	<u>25,888,534</u>	<u>15,572,670</u>	<u>25,888,534</u>	<u>15,572,670</u>
Financial liabilities				
Payables	2,145,366	1,482,628	2,145,366	1,482,628
Borrowings	8,479,710	9,124,704	7,938,259	8,760,007
	<u>10,625,076</u>	<u>10,607,332</u>	<u>10,083,625</u>	<u>10,242,635</u>

Fair value is determined as follows:

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

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

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

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash 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 is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

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

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	215,306	171,497
- Statement of Comprehensive Income	215,306	171,497

Notes:

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

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

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

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	95.07%	95.30%
- Overdue	4.93%	4.70%

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings**

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	2,145,366	0	0	2,145,366	2,145,366
Borrowings	1,059,399	3,941,657	6,663,025	11,664,081	8,479,710
	<u>3,204,765</u>	<u>3,941,657</u>	<u>6,663,025</u>	<u>13,809,447</u>	<u>10,625,076</u>
<u>2015</u>					
Payables	1,482,628	0	0	1,482,628	1,482,628
Borrowings	1,111,253	4,171,384	7,969,661	13,252,298	9,124,704
	<u>2,593,881</u>	<u>4,171,384</u>	<u>7,969,661</u>	<u>14,734,926</u>	<u>10,607,332</u>

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (continued)**

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	134,279	305,605	365,140	7,674,686	8,479,710	5.46%
Weighted average Effective interest rate			5.79%	6.12%	6.95%	5.36%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	46,968	0	0	175,353	0	8,902,383	9,124,704	5.49%
Weighted average Effective interest rate	6.70%			5.79%		5.48%		

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

35. PRIOR PERIOD CORRECTIONS

Balances relating to the 2015 comparative year have been amended due to the correction of period period balances. These amendments have been adjusted as shown below.

The provision for long service leave as at 30 June 2015 did not account for the entitlements of those employees that had worked for the Shire for a period of less than 7 years due to a system error with the report produced. Therefore, the 2015 provision and employee costs were incorrectly stated and hence have been adjusted accordingly.

Effect of the above adjustment:	Original Balance	Amount of Adjustment	Adjusted Balance
	\$	\$	\$
<u>Changes to Financial Statements</u>			
Statement of Comprehensive Income			
- by Nature or Type			
Expenses			
Employee costs	(12,724,329)	(214,476)	(12,938,805)
- by Program			
Expenses			
Governance	(5,973,392)	(47,572)	(6,020,964)
General purpose funding	(1,041,043)	(6,123)	(1,047,166)
Law, order, public safety	(1,261,954)	(8,765)	(1,270,719)
Health	(482,168)	(3,797)	(485,965)
Education and welfare	(277,475)	(2,155)	(279,630)
Community amenities	(2,969,784)	(15,395)	(2,985,179)
Recreation and culture	(7,408,518)	(9,083)	(7,417,601)
Transport	(9,154,088)	(92,859)	(9,246,947)
Economic services	(793,108)	(321)	(793,429)
Other property and services	(187,785)	(28,406)	(216,191)
Statement of Financial Position			
Non-Current Liabilities			
Provisions	217,813	214,476	432,289
Equity			
Retained Surplus	194,581,520	(214,476)	194,367,044
Rate Setting Statement			
Expenditure from Operating Activities			
Governance	(6,325,344)	(47,572)	(6,372,916)
General purpose funding	(1,041,043)	(6,123)	(1,047,166)
Law, order, public safety	(1,303,765)	(8,765)	(1,312,530)
Health	(482,168)	(3,797)	(485,965)
Education and welfare	(277,475)	(2,155)	(279,630)
Community amenities	(2,981,524)	(15,395)	(2,996,919)
Recreation and culture	(7,510,503)	(9,083)	(7,519,586)
Transport	(9,168,270)	(92,859)	(9,261,129)
Economic services	(853,077)	(321)	(853,398)
Other property and services	(187,785)	(28,406)	(216,191)
Operating Activities Excluded from Budget			
Movement in employee benefit provisions (non-current)	(168,961)	214,476	45,515

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

35. PRIOR PERIOD CORRECTIONS (continued)

<u>Changes to Notes of the Financial Report</u>	<u>Original Balance \$</u>	<u>Amount of Adjustment \$</u>	<u>Adjusted Balance \$</u>
Note 10 - Provisions			
Opening Balance at 1 July 2015			
Non-current Provisions	217,813	214,476	432,289
Note 13 - Notes to the Statement of Cash Flows			
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	4,151,571	(214,476)	3,937,095
Increase/(Decrease) in Provisions	(138,681)	214,476	75,795
Note 18 - Financial Ratios			
Debt Service Cover Ratio	8.01	(0.20)	7.81
Operating Surplus Ratio	0.05	(0.01)	0.04
Own Source Revenue Coverage Ratio	0.92	(0.01)	0.91
Adjusted Debt Service Cover Ratio	7.42	(0.19)	7.23
Adjusted Operating Surplus Ratio	0.03	(0.01)	0.02

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF AUGUSTA MARGARET RIVER

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

www.moorestephenswa.com.au

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Augusta Margaret River, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion, the financial report of the Shire of Augusta Margaret River is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF AUGUSTA MARGARET RIVER (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 63 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit



MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN-SHIEN CHAI
PARTNER

Date: 22 September 2016
Perth, WA

**SHIRE OF AUGUSTA MARGARET RIVER
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	0.99	0.75	0.79
Asset renewal funding ratio	1.28	1.18	0.57

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