



ANNUAL REPORT

For the Year ended 30th June 2016

ANNUAL REPORT 2015-2016



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MESSAGE FROM THE SHIRE PRESIDENT

Under the leadership of CEO Jim Epis, and his senior officers (Deputy CEO Tanya Browning and Manager Works Dan Yates), the Shire of Leonora has been working hard to achieve the goals of the community identified within the Strategic Community Plan. Creating opportunities to realise these goals continues to be a focus of the Council, and it is positive for our community to note continued progress in this regard.

During the 2015/16 reporting period, construction continued on the Northern Goldfields Regional Office and Administration Centre (NGROAC), which is due to be completed late 2016/early 2017. This facility will realise a significant goal from within the Strategic Community Plan, and will also provide greater opportunity for services to our community. As well as the NGROAC, another goal from within the Strategic Community Plan, relating to Aged Care Accommodation, has also gained traction over the last twelve months. Extensive community engagement and consultation has taken place to assess community needs, and from there some suitable designs were compiled for a 'Leonora Ageing in Place' complex, that was assessed to best meet the demand vs need for our community, with regard to ability to deliver a sustainable service. Since then, a business case has been developed, which includes construction costs, suitable land options have been identified, and the business case has been submitted for consideration for eligibility for Royalties for Regions funding. The outcome of that submission will become known in the next financial year, and if successful, work will commence on progressing the project further.

Along with the above projects, efforts have continued on progressing the sewerage infill extension program in the Leonora townsite – another significant achievement from within the Strategic Community Plan. There has also been some success with securing funding from the National Stronger Regions Fund (NSRF) to continue preservation of the Gwalia Headframe, as well as significant buildings in the Gwalia precinct. Matching funds for this project will be contributed by the Shire of Leonora, made possible through good planning, and investment into reserves from previous years. These reserves have enabled some security when preparing large funding applications, to demonstrate that Council is in a financial position to co-contribute funds – an essential requirement with many funding bodies these days.

On behalf of the Council and staff, I would like to thank the community for its participation in various events and activities, as we look forward to the coming year of projects and events that will see continued improvement and progress for the Shire of Leonora.

Cr Peter Craig
President

ANNUAL REPORT 2015-2016



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Once again, the Shire has achieved a 'clean' audit report with no points of statutory non-compliance noted during the 2015/16 reporting period.

The administration has continued to concentrate on developing, refining and improving systems relating to the Integrated Planning and Reporting framework (IPR) and has invested significant resources to ensure that the plans and documents being produced are as accurate, meaningful and useful as possible. During recent times, more analysis being undertaken by various government agencies and funding bodies, into the financial management practices, viability and sustainability of local governments when considering submissions for large capital funding projects.

With increased pressure over limited resources, agencies are placing more consideration to whether funds will achieve good value for money long term, and whether applicants can afford to maintain / sustain the assets for which they are applying for funding. Generally, the IPR documents are referred to in assisting with this consideration and assessment. Given the documented projects that the community aspire to within the Strategic Community Plan, it is essential to ensure that the Shire of Leonora is considerate of the long term impacts of taking on new projects, and that Council is able to maintain a sound financial position when making such commitments whilst also maintaining appropriate levels of service. I am pleased to report good progress to date, including participation at a regional level with asset management planning and development of practices.

Dedication of the membership ensures the Shire of Leonora operates as one complete team. Council's support has remained steadfast and progressive throughout the year and is demonstrated by meeting attendances as highlighted below:

COUNCILLOR	MEETING CONVENED	ATTENDED	% ATTENDANCE
P J Craig	12	12	100%
M W V Taylor	12	10	83%
R A Norrie	12	9	75%
G W Baker	12	12	100%
L R Petersen	12	11	92%
R M Cotterill	12	11	92%
A E Taylor	12	11	92%

I would like to thank all the staff and Councillors for their perseverance and loyalty over the year in review. I look forward to the challenges and rewards that 2016/17 will present to us.

Jim Epis
Chief Executive Officer

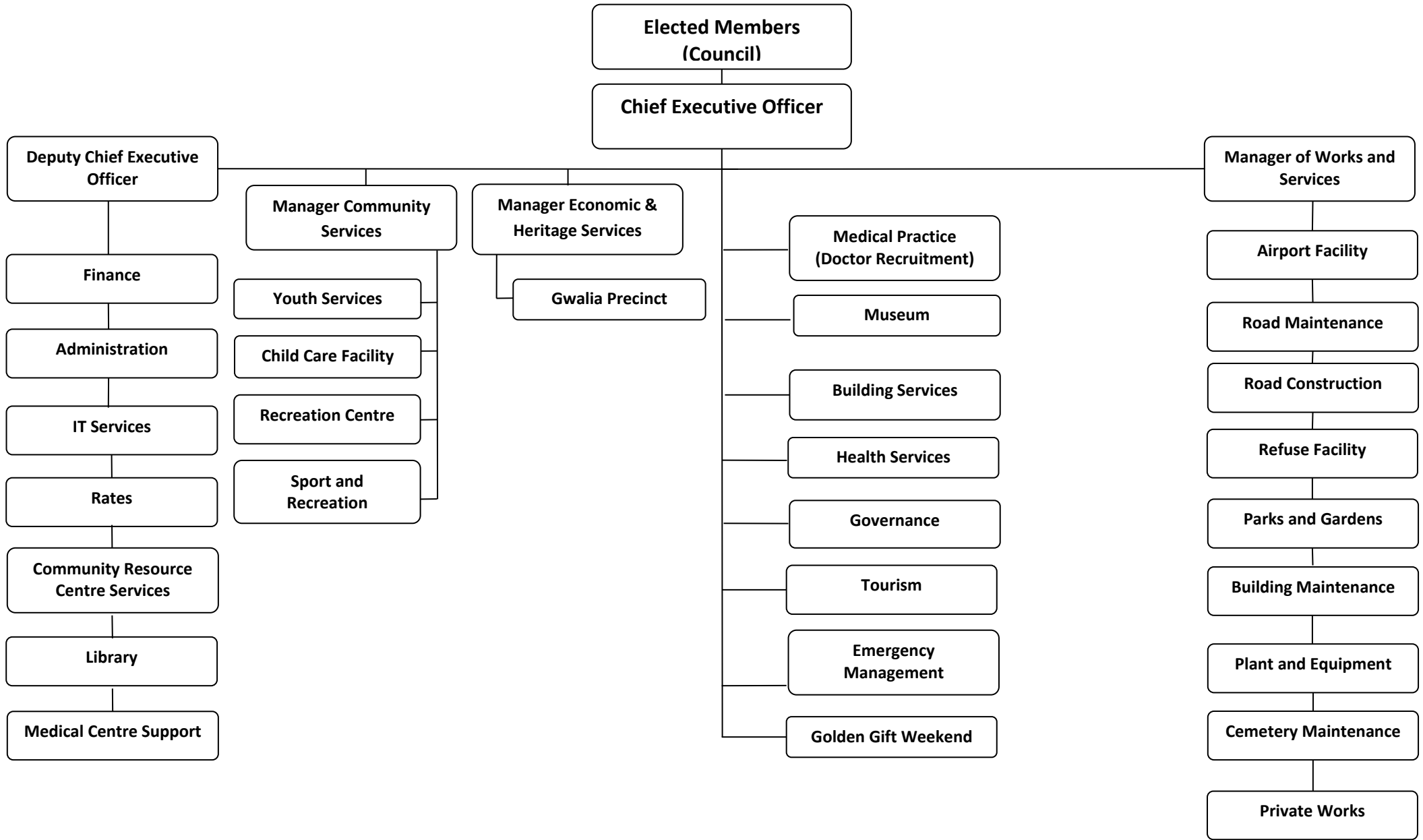
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COUNCILLOR DETAILS

POSITION	RETIREMENT YEAR	CONTACT	NUMBER
PRESIDENT Mr P CRAIG 9B North Road (PO Box 118) LEINSTER WA 6437	2019	WK HM FAX MOB EMAIL	08 9037 9191 08 9037 9054 08 9037 9192 0418 950 572 peter.craig@bagden.com.au
DEPUTY PRESIDENT Mr M W V Taylor 10 Forrest Street (PO Box 226) LEONORA WA 6438	2019	WK HM FAX MOB EMAIL	08 6314 4712 0417 976 169 matt@pmcc.com.au
Mr R A NORRIE Lot 260 Queen Victoria (PO Box 397) LEONORA WA 6438	2019	WK HM FAX MOB EMAIL	08 9037 6777 08 9037 7389 08 9037 6788 0409 377 386 rossn@cbslaccountants.com
Ms L R PETERSEN Lot 1114 Gwalia Street (PO Box 69) LEONORA WA 6438	2017	WK HM FAX MOB EMAIL	08 9037 6400 08 9037 6404 0419 177 232 Butsonsbs@westnet.com.au
Mr GW BAKER "Waarnba" LOC 51 Laverton Road (PO Box 90) LEONORA WA 6438	2017	WK HM FAX MOB EMAIL	08 9037 6090 08 9037 6090 08 9037 6090 sixmile6@bigpond.com
Mr AE Taylor 1 Pinnacle Place LEINSTER WA 6437	2017	WK HM FAX MOB EMAIL	08 9037 4050 08 9037 3125 08 9238 1387 0417 174 374 alex@northfields.com.au
Mr RM Cotterill PO Box 8 LEONORA WA 6438	2017	WK HM FAX MOB EMAIL	08 9037 6167 08 9037 6167 0409 127 506 richardcotterill@live.com.au

SHIRE OF LEONORA – ORGANISATIONAL CHART



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

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Principal place of business:
16 Tower Street
Leonora WA 6438

SHIRE OF LEONORA
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 11TH day of NOVEMBER 2016



Jim Epis
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	5,239,642	5,166,718	5,151,795
Operating grants, subsidies and contributions	30	1,832,904	1,536,911	999,257
Fees and charges	29	1,372,872	1,093,205	1,111,787
Interest earnings	2(a)	100,022	27,507	133,509
Other revenue	2(a)	284,009	112,436	230,510
		<u>8,829,449</u>	<u>7,936,777</u>	<u>7,626,858</u>
Expenses				
Employee costs		(2,593,998)	(2,385,514)	(2,549,245)
Materials and contracts		(2,944,325)	(4,278,684)	(4,479,670)
Utility charges		(346,114)	(298,428)	(345,915)
Depreciation on non-current assets	2(a)	(2,183,745)	(1,577,040)	(1,947,662)
Insurance expenses		(251,404)	(246,224)	(285,547)
Other expenditure		(105,433)	(187,583)	(149,689)
		<u>(8,425,019)</u>	<u>(8,973,473)</u>	<u>(9,757,728)</u>
		404,430	(1,036,696)	(2,130,870)
Non-operating grants, subsidies and contributions	30	1,109,087	4,203,547	3,626,754
Profit on asset disposals	21	13,720	0	152,273
(Loss) on asset disposals	21	(72,561)	(220,713)	(7,485)
Fair value adjustments to financial assets at				
Net result		<u>1,454,676</u>	<u>2,946,138</u>	<u>1,640,672</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	1,164,381	0	28,857,207
Total other comprehensive income		<u>1,164,381</u>	<u>0</u>	<u>28,857,207</u>
Total comprehensive income		<u><u>2,619,057</u></u>	<u><u>2,946,138</u></u>	<u><u>30,497,879</u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		3,961	3,115	807
General purpose funding		5,936,322	5,513,717	5,294,635
Law, order, public safety		14,934	11,762	8,312
Health		24,674	26,291	27,513
Education and welfare		254,549	271,143	99,317
Housing		34,879	50,735	42,496
Community amenities		282,860	226,979	207,297
Recreation and culture		279,266	217,762	82,812
Transport		1,114,831	1,118,711	1,029,852
Economic services		615,962	414,838	721,791
Other property and services		267,211	81,724	112,026
		<u>8,829,449</u>	<u>7,936,777</u>	<u>7,626,858</u>
Expenses	2(a)			
Governance		(322,919)	(553,229)	(444,569)
General purpose funding		(506,008)	(381,783)	(341,842)
Law, order, public safety		(131,301)	(143,685)	(115,166)
Health		(563,355)	(638,508)	(500,031)
Education and welfare		(498,819)	(623,205)	(465,987)
Community amenities		(149,139)	(277,143)	(156,302)
Recreation and culture		(969,289)	(1,196,606)	(992,672)
Transport		(3,950,331)	(3,541,252)	(5,426,390)
Economic services		(1,296,227)	(1,603,170)	(1,299,996)
Other property and services		(37,631)	(14,892)	(14,773)
		<u>(8,425,019)</u>	<u>(8,973,473)</u>	<u>(9,757,728)</u>
		404,430	(1,036,696)	(2,130,870)
Non-operating grants, subsidies and contributions	30	1,109,087	4,203,547	3,626,754
Profit on disposal of assets	21	13,720	0	152,273
(Loss) on disposal of assets	21	(72,561)	(220,713)	(7,485)
Fair value adjustments to financial assets at				
Net result		<u>1,454,676</u>	<u>2,946,138</u>	<u>1,640,672</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	1,164,381	0	28,857,207
Total other comprehensive income		<u>1,164,381</u>	<u>0</u>	<u>28,857,207</u>
Total comprehensive income		<u>2,619,057</u>	<u>2,946,138</u>	<u>30,497,879</u>

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

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

	NOTE	2016 \$	2015 \$	2014 \$
CURRENT ASSETS				
Cash and cash equivalents	3	7,259,324	6,822,388	6,869,113
Trade and other receivables	4	430,954	1,455,115	535,455
Inventories	5	47,200	30,145	73,955
TOTAL CURRENT ASSETS		<u>7,737,478</u>	<u>8,307,648</u>	<u>7,478,523</u>
NON-CURRENT ASSETS				
Inventories	5	576,096	631,535	631,535
Property, plant and equipment	6	17,455,835	14,839,067	14,316,747
Infrastructure	7	57,997,277	57,183,641	28,314,324
TOTAL NON-CURRENT ASSETS		<u>76,029,208</u>	<u>72,654,243</u>	<u>43,262,606</u>
TOTAL ASSETS		<u>83,766,686</u>	<u>80,961,891</u>	<u>50,741,129</u>
CURRENT LIABILITIES				
Trade and other payables	8	482,239	321,119	578,100
Provisions	9	172,015	183,822	217,785
TOTAL CURRENT LIABILITIES		<u>654,254</u>	<u>504,941</u>	<u>795,885</u>
NON-CURRENT LIABILITIES				
Provisions	9	81,732	45,307	64,480
TOTAL NON-CURRENT LIABILITIES		<u>81,732</u>	<u>45,307</u>	<u>64,480</u>
TOTAL LIABILITIES		<u>735,986</u>	<u>550,248</u>	<u>860,365</u>
NET ASSETS		<u>83,030,700</u>	<u>80,411,643</u>	<u>49,880,764</u>
EQUITY				
Retained surplus		41,402,301	40,945,690	39,604,457
Reserves - cash backed	12	2,027,361	1,029,296	729,857
Revaluation surplus	13	39,601,038	38,436,657	9,546,450
TOTAL EQUITY		<u>83,030,700</u>	<u>80,411,643</u>	<u>49,880,764</u>

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

**SHIRE OF LEONORA
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		39,604,457	729,857	9,579,450	49,913,764
Comprehensive income					
Net result		1,640,672	0	0	1,640,672
Changes on revaluation of assets	13	0	0	28,857,207	28,857,207
Total comprehensive income		<u>1,640,672</u>	<u>0</u>	<u>28,857,207</u>	<u>30,497,879</u>
Transfers from/(to) reserves		(299,439)	299,439	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2015		40,945,690	1,029,296	38,436,657	80,411,643
Comprehensive income					
Net result		1,454,676	0	0	1,454,676
Changes on revaluation of assets	13	0	0	1,164,381	1,164,381
Total comprehensive income		<u>1,454,676</u>	<u>0</u>	<u>1,164,381</u>	<u>2,619,057</u>
Transfers from/(to) reserves		(998,065)	998,065	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		<u>41,402,301</u>	<u>2,027,361</u>	<u>39,601,038</u>	<u>83,030,700</u>

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

**SHIRE OF LEONORA
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		5,205,873	5,166,718	5,231,451
Operating grants, subsidies and contributions		2,994,172	2,725,793	10,261
Fees and charges		1,372,872	1,093,205	1,111,787
Interest earnings		100,022	27,507	133,509
Goods and services tax		191,095	446,627	671,701
Other revenue		284,009	112,436	230,510
		<u>10,148,043</u>	<u>9,572,286</u>	<u>7,389,219</u>
Payments				
Employee costs		(2,550,367)	(2,385,514)	(2,543,494)
Materials and contracts		(2,819,273)	(4,269,251)	(4,751,728)
Utility charges		(346,114)	(298,428)	(345,915)
Insurance expenses		(251,404)	(246,224)	(285,547)
Goods and services tax		(294,433)	(446,627)	(682,021)
Other expenditure		(105,433)	(187,583)	(149,689)
		<u>(6,367,024)</u>	<u>(7,833,627)</u>	<u>(8,758,394)</u>
Net cash provided by (used in) operating activities	14(b)	<u>3,781,019</u>	<u>1,738,659</u>	<u>(1,369,175)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,231,707)	(9,107,093)	(1,707,164)
Payments for construction of infrastructure		(1,479,144)	(1,853,668)	(998,913)
Non-operating grants, subsidies and contributions		1,109,087	4,203,547	3,626,754
Proceeds from sale of land held for resale		54,545	0	0
Proceeds from sale of fixed assets		203,136	223,636	401,773
Net cash provided by (used in) investment activities		<u>(3,344,083)</u>	<u>(6,533,578)</u>	<u>1,322,450</u>
Net cash provided by (used in) financing activities		<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash held		436,936	(4,794,919)	(46,725)
Cash at beginning of year		6,822,388	6,822,389	6,869,113
Cash and cash equivalents at the end of the year	14(a)	<u><u>7,259,324</u></u>	<u><u>2,027,470</u></u>	<u><u>6,822,388</u></u>

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

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

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>6,991,574</u> 6,991,574	<u>6,991,408</u> 6,991,408	<u>6,198,972</u> 6,198,972
Revenue from operating activities (excluding rates)			
Governance	3,961	3,115	807
General purpose funding	696,680	346,999	142,840
Law, order, public safety	14,934	11,762	8,312
Health	28,157	26,291	27,513
Education and welfare	262,968	271,143	99,317
Housing	34,879	50,735	42,496
Community amenities	282,860	226,979	207,297
Recreation and culture	279,266	217,762	82,812
Transport	1,116,649	1,118,711	1,178,222
Economic services	615,962	414,838	721,791
Other property and services	267,211	81,724	115,929
	<u>3,603,527</u>	<u>2,770,059</u>	<u>2,627,336</u>
Expenditure from operating activities			
Governance	(322,919)	(553,229)	(444,569)
General purpose funding	(506,008)	(381,783)	(341,842)
Law, order, public safety	(131,301)	(143,685)	(115,166)
Health	(563,355)	(646,485)	(503,176)
Education and welfare	(498,819)	(626,621)	(465,987)
Community amenities	(150,033)	(277,143)	(156,302)
Recreation and culture	(992,289)	(1,196,606)	(992,672)
Transport	(3,998,998)	(3,750,572)	(5,430,547)
Economic services	(1,296,227)	(1,603,170)	(1,299,996)
Other property and services	(37,631)	(14,892)	(14,956)
	<u>(8,497,580)</u>	<u>(9,194,186)</u>	<u>(9,765,213)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	21 (13,720)	0	(152,273)
Loss on disposal of assets	21 72,561	220,713	7,485
Movement in employee benefit provisions	24,618	0	(53,136)
Movement in Accrued Salaries and Wages	17,410	0	5,935
Depreciation and amortisation on assets	2(a) 2,183,745	1,577,040	1,947,662
Amount attributable to operating activities	<u>4,382,135</u>	<u>2,365,034</u>	<u>816,768</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions	1,109,087	4,203,547	3,626,754
Proceeds from disposal of land held for resale	21 54,545		
Proceeds from disposal of assets	21 203,136	223,636	401,773
Purchase of property, plant and equipment	6(b) (3,231,707)	(9,107,093)	(1,707,164)
Purchase and construction of infrastructure	7(b) (1,479,144)	(1,853,668)	(998,913)
Amount attributable to investing activities	<u>(3,344,083)</u>	<u>(6,533,578)</u>	<u>1,322,450</u>
FINANCING ACTIVITIES			
Transfers to reserves (restricted assets)	12 (998,065)	(998,174)	(299,439)
Amount attributable to financing activities	<u>(998,065)</u>	<u>(998,174)</u>	<u>(299,439)</u>
Surplus(deficiency) before general rates	<u>39,987</u>	<u>(5,166,718)</u>	<u>1,839,779</u>
Total amount raised from general rates	23 <u>5,239,642</u>	<u>5,166,718</u>	<u>5,151,795</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24 <u><u>5,279,629</u></u>	<u><u>0</u></u>	<u><u>6,991,574</u></u>

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

SHIRE OF LEONORA
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. All are stated in Australian Dollars.

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

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

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	2 to 15 years
Plant and equipment	5 to 15 years
Infrastructure	10 to 60 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

The Shire of Leonora does not have a capitalisation threshold. Capitalisation of assets will be at the discretion of the Chief Executive Officer in accordance with good asset management practices and considerations.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

**SHIRE OF LEONORA
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 LEONORA
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	8,500	8,850
- Financial Management Review	0	5,031
- Other services	1,500	765
Depreciation		
Buildings - non-specialised	233,192	221,603
Furniture and equipment	8,729	12,675
Plant and equipment	398,927	726,581
Roads	1,536,088	901,304
Improvements and Infrastructure	6,809	34,916
Roads Other	0	50,583
	<u>2,183,745</u>	<u>1,947,662</u>
Rental charges		
- Operating leases	14,484	16,094
	<u>14,484</u>	<u>16,094</u>
(ii) Crediting as revenue:		
Significant revenue		
General Purpose Funding	0	620,436
	<u>0</u>	<u>620,436</u>
The significant revenue in 2015 relates to the early payment of half of the WA Grants Commissions instalment.		
Other revenue		
Reimbursements and recoveries	211,980	88,122
Other	72,029	142,388
	<u>284,009</u>	<u>230,510</u>
	<u>284,009</u>	<u>230,510</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		2015
- Reserve funds	44,944	Actual
- Other funds	55,078	\$
	<u>100,022</u>	15,439
	<u>100,022</u>	118,070
	<u>100,022</u>	<u>133,509</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire of Leonora will be a progressive Shire supporting its residents in an environment of development while maintaining quality of life, values and retaining ownership of its future. Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

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

GOVERNANCE

Objective:

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

Activities:

Includes costs and revenues associated with the President and Councillors in the exercise of their obligations as a governing body. Items of expenditure include conference, travel, meeting attendance fees, presidential allowance, receptions, donations, subscriptions and phone rentals. Costs of advertising and conducting elections are also included. Revenues include election nomination fees and reimbursements by members for private expenses.

An administration cost is also allocated which enables staff to process Council Meeting procedures, implement all government decisions and conduct Council meetings. Cost of conducting audit of Council books of accounts and procedures is also include under this heading.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

1 Rates

- (a) GRV (gross rental value) refers to property rates for Leonora, Gwalia, Leinster and Agnew town sites and operational mines and associated infrastructure.
- (b) UV (unimproved value) refers to mining properties and tenements (other than mines and other associated infrastructure) and includes prospecting licences, exploration licences and mining leases. It also refers to broad acre rural pastoral properties.
- (c) Additional rates and rates written back refer mainly to mining rates where tenements are granted or surrendered following the adoption of the budget.
- (d) Administration charge refers to the charge levied on ratepayers electing to make payment of rates on the offered instalment plan and is based on the actual cost involved in administering this process
- (e) Administration costs allocated are the costs of maintaining records, levying and collecting all rates.

2 Grants

- (a) Grants Commission - a general purpose grant allocated annually by the Federal Government to all local governments. The amount is determined by various formulae devised by the Grants Commission, with a significant component being based on population.
- (b) Roads Grant - An untied road grant allocated by the Federal Government and again distributed by the Grants Commission utilising a pre-determined formula.
- (c) Administration costs allocated to grants refers to the costs associated in collection of Federal Government grants including provision and updating of data used in grants commission formula.

SHIRE OF LEONORA
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)

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

Costs and revenues associated with animal control within the Shire and also includes fire insurance, dog control and registration.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Costs and revenues associated with compliance with the Health Act including inspections and approvals, food quality control, mosquito control, septic tank inspection/control, food hygiene inspection/control, contribution to doctors expenses, Royal Flying Doctor donation and notification of disease.

EDUCATION AND WELFARE

Objective:

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

Activities:

Provision of support for education and aged and disabled facilities within the district for the betterment of the residents.

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Costs of maintaining Council owned accommodation units and collection of rentals paid by staff for use of those buildings. Costs that can be accurately attributed to other programs are allocated. Revenue associated with a State Government owned house by way of loan repayments to Council are also included.

Accommodation units include 3 houses, 2 duplexes and a single persons quarters.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Costs of collection and disposal of domestic and commercial refuse for town site of Leonora and Gwalia and maintenance of the landfill refuse site. Revenue collection by way of an annual fee for this service which is included on rate assessment notices.

Costs associated with review and administration of Council's Town Planning Scheme.

Provision of Christmas decorations in Leonora Town site.

Operation of the Leonora Cemetery.

SHIRE OF LEONORA
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)

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 Council owned parks, gardens and grassed oval/recreation ground at Leonora and a contribution to similar facilities within Leinster townsite.

Costs of operation and maintenance of a purpose built recreation centre which includes indoor basketball court, two squash courts, kitchen, gymnasium and associated facilities and revenues collected from the public for use of these facilities.

Costs of maintenance of Council owned and provided television and radio re-transmission service which includes GWN, WIN and SBS television and WAFM and ABC fine music radio.

Costs and revenues associated with the operation and maintenance of library facilities at Leonora in conjunction with the Library Board of Western Australia.

TRANSPORT

Objective:

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

Activities:

Maintenance and improvements of 1,300 kilometres of Council controlled unsealed roads, town site footpaths and streets, drainage control, street cleaning and provision and maintenance of street trees. Costs of providing electricity for steel lights in the Leonora/Gwalia town sites and maintenance of Council's works depot and associated infrastructure.

Operation, maintenance and management of Leonora Aerodrome including runways, runway lighting, tarmac and terminal building and gardens. Purchase of aviation fuel for resale to aircraft operators.

Revenues by way of landing fees and Head Tax charges charged to all aircraft with the exception of the Royal Flying Doctors Service, lease/renting of building to all users of facilities and charges for fuel supplied to aircraft.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Costs associated with tourism promotion throughout the Shire including employment of a Curator/Promotion Officer at the Gwalia Museum and historic precinct.

Contribution to employment of a Goldfields/Esperance Development Officer operating from Shire Offices - Leonora.

Contribution to costs of North Eastern Goldfields Land care Organisation.

Costs and revenues associated with building control under building regulations, including inspections and issuing building permits.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Costs and revenues for private hire of Council machinery and operators for completion of private works for ratepayers and others.

Costing allocation pools including administration, overheads, plant operation costs and salaries and wages which are all individually detailed and then allocated throughout all previously mentioned operating activities, works and services.

SHIRE OF LEONORA
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 \$
Northern Goldfields Tourism Group	Recreation and Culture	921	0	(921)	0			0
Government Grant	General Purpose Funding	5,213	0	0	5,213			5,213
CLGF	General Purpose Funding	145,565	0	(144,568)	997			997
Workforce Planning Grant	General Purpose Funding	16,210	0	0	16,210			16,210
Northern Goldfields Regional Office and Administrative Centre	Economic Services	4,618,249	360,000	(427,450)	4,550,799	85,415	(2,159,089)	2,477,125
Animal Sterilisation Program	Law, Order, Public Service	2,500	0	(2,500)	0			0
Suicide Prevention Centre	Recreation & Culture	0	0	0	0	26,051	(25,786)	265
Total		<u>4,788,658</u>	<u>360,000</u>	<u>(575,439)</u>	<u>4,573,219</u>	<u>111,466</u>	<u>(2,184,875)</u>	<u>2,499,810</u>

Notes:

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

SHIRE OF LEONORA
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		2,732,153	1,219,873
Restricted		<u>4,527,171</u>	<u>5,602,515</u>
		<u><u>7,259,324</u></u>	<u><u>6,822,388</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Annual Leave Reserve	12	160,064	157,964
Long Service Leave Reserve	12	130,805	129,089
Building Reserve	12	347,991	244,660
Fire Disaster Reserve	12	26,654	22,354
Plant Purchase Reserve	12	391,726	307,574
Gwalia Precinct Reserve	12	470,121	167,655
Waste Management Reserve	12	500,000	0
Unspent grants	2(c)	<u>2,499,810</u>	<u>4,573,219</u>
		<u><u>4,527,171</u></u>	<u><u>5,602,515</u></u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		116,915	83,146
Sundry debtors		194,690	1,352,318
GST receivable		115,424	12,086
Interest Accrued		<u>3,925</u>	<u>7,565</u>
		<u><u>430,954</u></u>	<u><u>1,455,115</u></u>
		<u><u>0</u></u>	<u><u>0</u></u>
5. INVENTORIES			
Current			
Fuel and materials		<u>47,200</u>	<u>30,145</u>
		<u><u>47,200</u></u>	<u><u>30,145</u></u>
Non-current			
Land held for resale - cost			
Cost of acquisition		1,719	1,875
Development costs		<u>574,377</u>	<u>629,660</u>
		<u><u>576,096</u></u>	<u><u>631,535</u></u>

SHIRE OF LEONORA
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 & 3	957,000	957,000
	<u>957,000</u>	<u>957,000</u>
	<u>957,000</u>	<u>957,000</u>
 Buildings - non-specialised at:		
- Independent valuation 2014 - level 2 & 3	10,971,302	10,971,302
- Additions after valuation - cost	3,342,726	688,310
Less: accumulated depreciation	<u>(454,795)</u>	<u>(221,603)</u>
	13,859,233	11,438,009
	<u>13,859,233</u>	<u>11,438,009</u>
 Total land and buildings	<u>14,816,233</u>	<u>12,395,009</u>
 Furniture and equipment at:		
- Management valuation 2013- level 3	0	28,000
- Management valuation 2016 - level 3	18,502	0
- Additions after valuation - cost	0	35,375
Less accumulated depreciation	<u>0</u>	<u>(23,591)</u>
	18,502	39,784
 Plant and equipment at:		
- Independent valuation 2013 - level 3	0	1,737,046
- Independent valuation 2016 - level 3	2,237,100	0
- Management valuation 2016 - level 3	351,000	0
- Additions after valuation - cost	0	1,711,989
Less accumulated depreciation	<u>0</u>	<u>(1,077,761)</u>
	2,588,100	2,371,274
 Playground at:		
- Management valuation 2015 - level 3	33,000	33,000
Less accumulated depreciation	<u>0</u>	<u>0</u>
	33,000	33,000
	<u>17,455,835</u>	<u>14,839,067</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 LEONORA
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 \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	957,000	0	0	0	0	0	957,000
Total land	957,000	0	0	0	0	0	957,000
Buildings - non-specialised	11,438,009	2,654,416	0	0	(233,192)		13,859,233
Total buildings	11,438,009	2,654,416	0	0	(233,192)	0	13,859,233
Total land and buildings	12,395,009	2,654,416	0	0	(233,192)	0	14,816,233
Furniture and equipment	39,784	0	0	0	(8,729)	(12,553)	18,502
Plant and equipment	2,371,274	577,291	(261,084)	296,543	(398,927)	3,003	2,588,100
Playground	33,000	0	0	0	0	0	33,000
Total property, plant and equipment	14,839,067	3,231,707	(261,084)	296,543	(640,848)	(9,550)	17,455,835

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2014	Price per hectare / market borrowing rate
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent valuer and Management valuation	June 2014	Price per square metre / market borrowing rate
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Independent valuation 2016	3	Market approach using recent observable market data for similar assets	Independent valuer	June 2016	Market price per item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Playground	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Roads		
- Management valuation 2015 - level 3	0	50,497,641
- Management valuation 2016 - level 3	51,143,197	0
Less accumulated depreciation	<u>0</u>	<u>0</u>
	<u>51,143,197</u>	<u>50,497,641</u>
Improvements and Infrastructure		
- Management valuation 2015 - level 3	6,686,000	6,686,000
- Additions after valuation - cost	165,338	0
- Transfers - cost	9,551	0
Less accumulated depreciation	<u>(6,809)</u>	<u>0</u>
	<u>6,854,080</u>	<u>6,686,000</u>
	<u><u>57,997,277</u></u>	<u><u>57,183,641</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 LEONORA
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	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$
Roads	50,497,641	1,313,806		867,838	(1,536,088)	0	51,143,197
Improvements and Infrastructure	6,686,000	165,338	0	0	(6,809)	9,551	6,854,080
Total infrastructure	<u>57,183,641</u>	<u>1,479,144</u>	<u>0</u>	<u>867,838</u>	<u>(1,542,897)</u>	<u>9,551</u>	<u>57,997,277</u>

**SHIRE OF LEONORA
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
Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Improvements and Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF LEONORA
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	363,244	226,420
Accrued salaries and wages	51,751	34,341
ATO liabilities	54,555	52,952
Credit Cards	12,689	7,406
	<u>482,239</u>	<u>321,119</u>
	<u>482,239</u>	<u>321,119</u>

The Shire did not have any long term borrowings at the reporting date.

9. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2015			
Current provisions	114,067	69,755	183,822
Non-current provisions	0	45,307	45,307
	<u>114,067</u>	<u>115,062</u>	<u>229,129</u>
Additional provision	152,306	33,322	185,628
Amounts used	(142,238)	(18,772)	(161,010)
Balance at 30 June 2016	<u>124,135</u>	<u>129,612</u>	<u>253,747</u>
	<u>124,135</u>	<u>129,612</u>	<u>253,747</u>
Comprises			
Current	124,135	47,880	172,015
Non-current	0	81,732	81,732
	<u>124,135</u>	<u>129,612</u>	<u>253,747</u>
	<u>124,135</u>	<u>129,612</u>	<u>253,747</u>

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

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Annual Leave Reserve	157,964	2,100	0	160,064	157,964	1,185	0	159,149	154,692	3,272	0	157,964
Long Service Leave Reserve	129,089	1,716	0	130,805	129,089	968	0	130,057	126,415	2,674	0	129,089
Building Reserve	244,660	103,331	0	347,991	244,660	102,585	0	347,245	141,663	102,997	0	244,660
Fire Disaster Reserve	22,354	4,300	0	26,654	22,354	4,198	0	26,552	17,974	4,380	0	22,354
Plant Purchase Reserve	307,574	84,152	0	391,726	307,574	82,907	0	390,481	203,274	104,300	0	307,574
Gwalia Precinct Reserve	167,655	302,466	0	470,121	167,655	302,581	0	470,236	85,839	81,816	0	167,655
Waste Management Reserve	0	500,000	0	500,000	0	503,750	0	503,750	0	0	0	0
	<u>1,029,296</u>	<u>998,065</u>	<u>0</u>	<u>2,027,361</u>	<u>1,029,296</u>	<u>998,174</u>	<u>0</u>	<u>2,027,470</u>	<u>729,857</u>	<u>299,439</u>	<u>0</u>	<u>1,029,296</u>

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Annual Leave Reserve	2017-2027	- to be used to offset Council's leave liability to its employees.
Long Service Leave Reserve	2017-2027	- to be used to offset Council's long service leave liabilities to its employees.
Building Reserve	2017-2027	- to be used for the construction and preservation of Council buildings and urgent repairs and maintenance.
Fire Disaster Reserve	2017-2027	- to be used to assist in the provision of emergency contingencies in the case of a fire disaster.
Plant Purchase Reserve	2017-2027	- to be used for the purchase of major plant.
Gwalia Precinct Reserve	2017-2027	- to be used for restoration and historical projects in the Gwalia precinct.
Waste Management Reserve	2017/18	- to be used for management and compliance works associated with the rubbish tip and liquid waste disposal sites.

The leave and plant reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

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

13. REVALUATION SURPLUS

	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	44,891	296,543	0	296,543	341,434	44,891	0	0	0	44,891
Playground	33,000	0	0	0	33,000	33,000	0	0	0	33,000
Roads	32,084,416	867,838	0	867,838	32,952,254	8,258,459	23,825,957	0	23,825,957	32,084,416
Improvements and Infrastructure	6,274,350	0	0	0	6,274,350	1,243,100	5,031,250	0	5,031,250	6,274,350
	<u>38,436,657</u>	<u>1,164,381</u>	<u>0</u>	<u>1,164,381</u>	<u>39,601,038</u>	<u>9,579,450</u>	<u>28,857,207</u>	<u>0</u>	<u>28,857,207</u>	<u>38,436,657</u>

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>7,259,324</u>	<u>2,027,470</u>	<u>6,822,388</u>

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

Net result	1,454,676	2,946,138	1,640,672
Non-cash flows in Net result:			
Depreciation	2,183,745	1,577,040	1,947,662
(Profit)/Loss on sale of asset	58,841	220,713	(144,788)
Fair value adjustments to fixed assets at fair value through profit or loss	0		
Loss on revaluation of fixed assets	0		0
Reversal of loss on revaluation of fixed assets	0		
Non-current assets recognised due to changes in legislative requirements	0	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	1,024,161	1,188,882	(919,660)
(Increase)/Decrease in inventories	(17,055)	9,433	43,810
Increase/(Decrease) in payables	161,120	0	(256,981)
Increase/(Decrease) in provisions	24,618	0	(53,136)
Grants contributions for the development of assets	<u>(1,109,087)</u>	<u>(4,203,547)</u>	<u>(3,626,754)</u>
Net cash from operating activities	<u>3,781,019</u>	<u>1,738,659</u>	<u>(1,369,175)</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	35,000	25,000
Credit card balance at balance date	<u>(546)</u>	<u>(7,406)</u>
Total amount of credit unused	<u>34,454</u>	<u>17,594</u>
Loan facilities		
Loan facilities - current	0	0
Loan facilities - non-current	<u>0</u>	<u>0</u>
Total facilities in use at balance date	<u>0</u>	<u>0</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>

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

15. CONTINGENT LIABILITIES

There were no known contingent liabilities at the reporting date.

16. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	10,713	23,648
- later than one year but not later than five years	18,747	41,915
- later than five years	<u>0</u>	<u>0</u>
	<u><u>29,460</u></u>	<u><u>65,563</u></u>

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	4,528,200	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	4,528,200	0

The capital expenditure project outstanding at the end of the reporting period represented the construction of the Northern Goldfields Office and Administration Centre (NGROAC)

The Shire did not have any future capital expenditure commitments at the reporting date.

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

17. JOINT VENTURE ARRANGEMENTS

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

	2016	2015
	\$	\$
Non-current assets		
Land and buildings	75,500	75,500
Less: accumulated depreciation	<u>(3,775)</u>	<u>(1,887)</u>
	<u><u>71,725</u></u>	<u><u>73,613</u></u>
Furniture and Equipment	8,204	12,109
Less: accumulated depreciation	<u>0</u>	<u>(2,778)</u>
	<u><u>8,204</u></u>	<u><u>9,331</u></u>
Plant and Equipment	4,182	8,247
Less: accumulated depreciation	<u>0</u>	<u>(3,492)</u>
	<u><u>4,182</u></u>	<u><u>4,755</u></u>
Light vehicles	3,200	3,549
Less: accumulated depreciation	<u>0</u>	<u>(1,129)</u>
	<u><u>3,200</u></u>	<u><u>2,420</u></u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	0	13
General purpose funding	116,914	83,146
Law, order, public safety	54,654	50,354
Health	242,800	235,839
Education and welfare	7,438	14,357
Housing	1,742,040	1,777,978
Community amenities	2,230,364	1,841,799
Recreation and culture	8,174,222	7,646,620
Transport	61,400,131	58,796,452
Economic services	4,143,107	6,711,692
Other property and services	2,507,992	2,086,969
Unallocated	<u>3,147,024</u>	<u>1,716,672</u>
	<u><u>83,766,686</u></u>	<u><u>80,961,891</u></u>

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

	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	6.50	7.80	3.06
Asset sustainability ratio	0.82	0.34	0.51
Debt service cover ratio	0.00	0.00	0.00
Operating surplus ratio	0.05	(0.30)	(0.29)
Own source revenue coverage ratio	0.82	0.68	0.72

The above ratios are calculated as follows:

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

Notes:

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

One of the 2016 and 2015 ratios disclosed above are 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 \$620,436.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015
Operating surplus ratio	0.14	(0.39)

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

20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Sale of Impounded Cattle	16,112	0	(16,112)	0

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
Health								
Ford Territory	16,517	20,000	3,483	0	27,977	20,000	0	(7,977)
Education and welfare								
Nissan Dualis	4,308	12,727	8,419	0	16,143	12,727	0	(3,416)
Community amenities								
Sale of Industrial blocks	55,439	54,545	0	(894)	0	0	0	0
Recreation and culture								
Chevrolet Hearse	23,000	0	0	(23,000)	0	0	0	0
Transport								
Landcruiser	0	1,818	1,818	0	6,289	1,818	0	(4,471)
12M Grader	136,541	115,000	0	(21,541)	298,401	130,000	0	(168,401)
Fuso Canvas Truck	25,535	14,500	0	(11,035)	26,457	20,000	0	(6,457)
Mitsubishi Outlander Wagon	12,634	11,818	0	(816)	22,570	11,818	0	(10,752)
Ford Territory	42,548	27,273	0	(15,275)	46,512	27,273	0	(19,239)
	<u>316,522</u>	<u>257,681</u>	<u>13,720</u>	<u>(72,561)</u>	<u>444,349</u>	<u>223,636</u>	<u>0</u>	<u>(220,713)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

The Shire of Leonora had no borrowings.

(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 does not have an overdraft facility.

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

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General rate											
Gross rental value valuations											
GRV	0.0648	595	17,514,198	1,134,920	(2,913)	0	1,132,007	1,134,920	1,586	0	1,136,506
Unimproved value valuations											
UV	0.1420	1,067	27,135,712	3,853,271	(811)	0	3,852,460	3,909,468	(131,776)	0	3,777,692
Sub-Total		1,662	44,649,910	4,988,191	(3,724)	0	4,984,467	5,044,388	(130,190)	0	4,914,198
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV	295	83	113,026	24,485	0	0	24,485	24,485	0	0	24,485
Unimproved value valuations											
UV	295	782	10,766,332	230,690	0	0	230,690	228,035	0	0	228,035
Sub-Total		865	10,879,358	255,175	0	0	255,175	252,520	0	0	252,520
Total amount raised from general rate		2,527	55,529,268	5,243,366	(3,724)	0	5,239,642	5,296,908	(130,190)	0	5,166,718
Totals							<u>5,239,642</u>				<u>5,166,718</u>
							<u>5,239,642</u>				<u>5,166,718</u>

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

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>5,279,629</u>	<u>6,991,574</u>	<u>6,991,574</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	2,732,153	1,219,873	1,219,873
Restricted	4,527,171	5,602,515	5,602,515
Receivables			
Rates outstanding	116,915	83,146	83,146
Sundry debtors	194,690	1,352,318	1,352,318
GST receivable	115,424	12,086	12,086
Interest Accrued	3,925	7,565	7,565
Inventories			
Fuel and materials	47,200	30,145	30,145
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(363,244)	(226,420)	(226,420)
Accrued salaries and wages	(51,751)	(34,341)	(34,341)
ATO liabilities	(54,555)	(52,952)	(52,952)
Credit Cards	(12,689)	(7,406)	(7,406)
Provisions			
Provision for annual leave	(124,135)	(114,067)	(114,067)
Provision for long service leave	(47,880)	(69,755)	(69,755)
Unadjusted net current assets	<u>7,083,224</u>	<u>7,802,707</u>	<u>7,802,707</u>
Adjustments			
Less: Reserves - restricted cash	(2,027,361)	(1,029,296)	(1,029,296)
Add: Accrued Salaries and Wages	51,751	34,341	34,341
Add: Provision for Annual Leave	124,135	114,067	114,067
Add: Provision for Long Service Leave	47,880	69,755	69,755
Adjusted net current assets - surplus/(deficit)	<u>5,279,629</u>	<u>6,991,574</u>	<u>6,991,574</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 LEONORA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

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

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

Rates Discounts

No discount on rates was available.

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual \$	Budget \$
Landing Fees	Waivers	100%	2,075	3,000
Housing Rental	Waivers	100%	5,200	5,200
			7,275	8,200

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Landing Fees	The Royal Flying Doctor Service (RFDS) has been granted continuous waiver on landing fees at the Leonora Airport.	To assist the operations and work of the RFDS.	Recognition of valuable community service the RFDS provides to the district.
Housing Rental	Doctor servicing Leonora has a house provided at no extra charge.	To support the retention of a doctor to provide medical services to the Shire of Leonora.	Rent is waived as per agreement with Council.

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

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	07-Sep-15	0	0.00%	0.00%
Option Two				
First Instalment	N/A	0	0.00%	0.00%
Second Instalment	N/A	0	0.00%	0.00%
Option Three				
First Instalment	07-Sep-15	6	0.00%	0.00%
Second Instalment	06-Nov-15	6	0.00%	0.00%
Third Instalment	07-Jan-16	6	0.00%	0.00%
Fourth Instalment	07-Mar-16	6	0.00%	0.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	0	0
Interest on instalment plan	0	0
Charges on instalment plan	15,160	9,024
	<u>15,160</u>	<u>9,024</u>

SHIRE OF LEONORA
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29. FEES & CHARGES	2016	2015
	\$	\$
Governance	3,870	0
General purpose funding	88,483	9,330
Law, order, public safety	13,926	8,662
Health	21,486	27,513
Education and welfare	113,625	99,317
Housing	34,747	30,310
Community amenities	282,859	205,235
Recreation and culture	111,371	80,512
Transport	427,910	434,975
Economic services	220,493	178,564
Other property and services	54,102	37,369
	<u>1,372,872</u>	<u>1,111,787</u>

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

30. GRANT REVENUE

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

By Program:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	508,175	0
Law, order, public safety	1,008	0
Education and welfare	149,343	0
Recreation and culture	160,441	0
Transport	679,595	590,707
Economic services	334,342	408,550
	<u>1,832,904</u>	<u>999,257</u>
Non-operating grants, subsidies and contributions		
General purpose funding	0	1,820,387
Law, order, public safety	0	4,870
Education and welfare	0	130,021
Recreation and culture	0	179,977
Transport	1,109,087	1,375,126
Economic services	0	116,373
	<u>1,109,087</u>	<u>3,626,754</u>
	<u>2,941,991</u>	<u>4,626,011</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

28	28
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32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	37,616	44,834	30,900
President's allowance	16,466	16,466	17,200
Deputy President's allowance	4,116	4,116	4,300
Travelling expenses	11,017	12,455	9,552
Telecommunications allowance	24,500	24,500	24,500
	<u>93,715</u>	<u>102,371</u>	<u>86,452</u>

33. MAJOR LAND TRANSACTIONS

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	7,259,324	6,822,388	7,259,324	6,822,388
Receivables	430,954	1,455,115	430,954	1,455,115
	<u>7,690,278</u>	<u>8,277,503</u>	<u>7,690,278</u>	<u>8,277,503</u>
Financial liabilities				
Payables	482,239	321,119	482,239	321,119
Borrowings	0	0	0	0
	<u>482,239</u>	<u>321,119</u>	<u>482,239</u>	<u>321,119</u>

Fair value is determined as follows:

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

**SHIRE OF LEONORA
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FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2016	2015
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	973,648	819,697
- Statement of Comprehensive Income	973,648	819,697
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	97,365	81,970
- Statement of Comprehensive Income	97,365 ⁽¹⁾	81,970 ⁽¹⁾

Notes:

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

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

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

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	1%	4%
- Overdue	99%	96%
Percentage of other receivables		
- Current	48%	7%
- Overdue	51%	92%

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

35. 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 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	482,239	0	0	482,239	482,239
	<u>482,239</u>	<u>0</u>	<u>0</u>	<u>482,239</u>	<u>482,239</u>
<u>2015</u>					
Payables	321,119	0	0	321,119	321,119
	<u>321,119</u>	<u>0</u>	<u>0</u>	<u>321,119</u>	<u>321,119</u>

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

36. PRIOR PERIOD CORRECTIONS

The following adjustments have been made to comparative amounts in the 30 June 2016 Financial Report to bring to account financial activities that were incorrectly stated in 2014/15. Details of this activity is listed below:-

In 2014/15 the Shire revalued it's road infrastructure, utilising the Depreciated Replacement Cost to establish its fair value. Subsequent to the finalisation of the 2015 Annual Financial report the road valuation was examined and errors identified. Road infrastructure which is privately owned and controlled was included within the previous valuation. Unit costs for the construction of unsealed pavements was significantly higher than actual construction costs.

The change in the unit costs and removal of privately owned infrastructure, resulted in an overall reduction in the value of roads asset class of \$17,762,004. This reduction in valuation has been adjusted against the Revaluation surplus for roads.

	Financial Reports 2015 \$	Corrected Comparative 2015 \$	Adjustment \$
STATEMENT OF COMPREHENSIVE INCOME			
<i>By Nature or Type and By Program</i>			
Changes on revaluation of non-current assets	46,652,211	28,857,207	(17,795,004)
Total comprehensive income	48,292,883	30,497,879	(17,795,004)
STATEMENT OF FINANCIAL POSITION			
Infrastructure	74,948,645	57,183,641	(17,765,004)
Revaluation surplus	56,198,661	38,436,657	(17,762,004)
STATEMENT OF CHANGES IN EQUITY			
Revaluation surplus :- Changes on revaluation on non-current assets			
Balance at 30 June 2015	56,198,661	38,436,657	(17,762,004)
NOTE 7 (a) INFRASTRUCTURE			
Roads			
Management valuation 2015 - level 3	68,259,645	50,497,641	(17,762,004)
NOTE 7 (b) Movements in carrying amounts			
Balance at the beginning of the year- roads	68,259,645	50,497,641	(17,762,004)
NOTE 13 REVALUATION SURPLUS			
Roads			
Revaluation increment	56,198,661	38,436,657	(17,762,004)
NOTE 18 TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY			
Transport	98,723,895	80,961,891	(17,762,004)
NOTE 19 FINANCIAL RATIOS			
Asset Consumption Ratio	0.668	0.834	0.166

INDEPENDENT AUDITOR'S REPORT TO THE SHIRE OF LEONORA

Report on the Financial Report

We have audited the accompanying financial report of Shire of Leonora, which comprises the statement of financial position as at 30 June 2016 and the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by chief executive officer.

Council's Responsibility for the Financial Report

Council is responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as the Council 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. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 of the financial report which 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 the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the financial report of the Shire of Leonora is in accordance with the underlying records of the Shire, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australia Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Emphasis of Matter

Without modifying our opinion, we draw attention to page 58 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. The underlying information on which the calculation of the asset consumption ratio and asset renewal funding ratio is based does not form part of the audited financial report. As a result, we do not express an opinion on these ratios.

However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

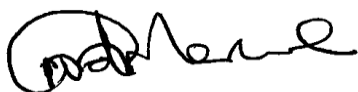
Reporting on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Shire did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

- a) Apart from the asset sustainability ratio that does not meet the minimum benchmark, there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) The Shire substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director
Perth
Date: 11 November 2016

**SHIRE OF LEONORA
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	0.83	0.49
Asset renewal funding ratio	1.07	0.39	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	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

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7.0 NATIONAL COMPETITION POLICY STATEMENT

The Competition Principals Agreement is an Inter-government Agreement between the Commonwealth and State/Territory Governments that sets out how government will apply National Competition Policy principle to public sector organisations within their jurisdiction.

The State Government released a Policy Statement effective from July 1996 called the Clause 7 Statement which forms part of the Competition Principles Agreement. The clause 7 policy document sets out nominated principles from the Agreement that now apply to Local Government. The provisions of Clause 7 of the Competition Principles Agreement require local government to report annually as to the implementation, application and effects of the Competition Policy.

The Competition Principles Agreement, under Clause 7, specifies three broad areas of reporting, they are:

- Competitive Neutrality
- Structural Review of Public Monopolies; and
- Legislative Review

In accordance with the requirements of the National Competition Policy the Shire of Leonora makes the following disclosure for 2014/2015.

7.1 COMPETITIVE NEUTRALITY

The objective of competitive neutrality is the elimination of resource allocation distortions arising out of local government ownership of significant business activities.

The Shire of Leonora has assessed its operations and considers that it does not have a business activity that would be classed as significant under the current guidelines. Also the Shire of Leonora does not operate a business enterprise that has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or Public Financial Enterprise.

The number of activities to which competitive neutrality principles have been applied in the reporting period is: NIL.

The number of activities to which competitive neutrality principles have been considered but not applied in the reporting period is: NIL.

Under the implementation timetable required by the National Competition Policy Statement the Shire of Leonora was required to undertake a cost benefit analysis to determine which significant business activities would be subject to competitive neutrality principles by June 1, 1997. This analysis was not undertaken by the Shire as no significant activities have been identified as part of its operations.

During the reporting period the Shire of Leonora did not become aware of any allegations of non compliance with the competitive neutrality principles made by a private entity against the Shire.

7.2 STRUCTURAL REVIEW OF PUBLIC MONOPOLIES

In relation to Structural Review of Public Monopolies the Shire of Leonora discloses the following:

Structural reform principles have been applied to the following number of activities in the reporting period: NIL.

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Structural reform principles have been considered but not applied to the following number of activities in the reporting period: NIL.

As no structural reform has been applied to any activities the review requirements of principle SR.3 of Clause 7 of the Competition Policy Statement have not been undertaken.

8.0 OVERVIEW OF THE PLAN FOR THE FUTURE

The Strategic Community Plan 2012-2022 was prepared through engagement and consultation with the local community, and sets out the vision, aspirations and objectives of the community in the district.

The table below sets out to provide an overview of achievements to date made during the 2015/16 reporting period, as well as initiatives that are proposed to commence and/or continue into the next financial year.

Further detail relating to the Strategic Community Plan can be inspected by viewing the document on the Shire of Leonora's website.

PLAN FOR THE FUTURE STRATEGY / INITIATIVE	2015/16 ACHIEVED / CONTINUING 2016/17	PLANNED / COMMENCING 2016/17
Exhibit the community spirit and showcase sights of the Shire by facilitating events attracting community members and other visitors	Enhance, develop and promote Golden Gift	N/A
Promote less tolerance for lawlessness by facilitating the coordination of relevant Government agencies to tackle crime	Utilise the Leonora Interagency committee to communicate with the relevant Government authorities	N/A
Support community run sporting, recreational and volunteering initiatives through direct financial assistance; the utilisation of Shire facilities	Maintain Community grant scheme annually	N/A
Ensure that there is appropriate infrastructure and facilities to service the health and social needs of the Shire's senior residents	Investigate the feasibility of accommodation for the elderly	N/A
Become the further education and vocational hub for the Northern Goldfields region	N/A	Open communications with Universities and TAFE organisations
Develop Leonora as a transportation hub for the Northern Goldfields and alternate route to the Pilbara	N/A	Attract industrial training business to town
Reduction in the adverse effects of mining activity around and near the town	Sealing works roads just outside the town site to minimise dust	N/A

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PLAN FOR THE FUTURE STRATEGY / INITIATIVE	2015/16 ACHIEVED / CONTINUING 2016/17	PLANNED / COMMENCING 2016/17
Facilitate more effective delivery of services by Federal and State Government agencies by providing a shared work space for visiting agencies and broking informal coordination of services	Support and promote the Leonora Inter-Agency ("LIA") initiative	Provide facilities for Federal and State government agencies to work from a shared office space provided by the Shire at no/low costs.
Expand the asset management plan and document the asset management policies and procedures that are currently undertaken	Develop and implement asset management planning Document current asset management policies and procedures	N/A
Ensure the Shire's historic GWALIA buildings remain viable for future generations of the community by developing specific asset management plans	Seek heritage funding for the maintenance of historic assets Organise valuations of the buildings in the Gwalia area Engage architects specialising in heritage buildings to identify the future needs of the buildings	Utilise the services provided by the Gwalia reference volunteer group to organise building maintenance busy bees
Create an environment that promotes the finest work from staff by adopting and implementing best management practices, with an emphasis on safety	Develop a workforce plan to ensure the efficient allocation of staff and to identify the future staff requirements of the Shire Develop occupational safety and health manuals	Adhere to DLG guidelines and other good management practices, by developing for staff handbooks identifying legislative requirements
Ensure the Shire receives the maximum grant assistance available to ensure the greatest benefit to the community	Attract grant funding through lobbying the government for assistance when Shire undertakes non-traditional services Investigate grants available that the Shire is eligible to receive	N/A
Plan for adequate supply of residential and commercial land to meet the requirements of the community	Identify and release residential and commercial land blocks	N/A

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PLAN FOR THE FUTURE STRATEGY / INITIATIVE	2014/15 ACHIEVED / CONTINUING 2015/16	PLANNED / COMMENCING 2015/16
Identify the future leadership requirements of the Shire and develop and equip staff to fulfil these positions	Develop and implement trainee scheme Provide opportunities and budget for professional development, career development and training for staff Prioritise and support internal promotion Identify and backfill key roles	N/A
Support and develop Councillors to represent their community effectively	Ensure Councillors receive appropriate training to continuously improve their skills and knowledge	N/A

9.0 DISABILITY ACCESS INCLUSION PLAN (DAIP)

- (A) The Shire of Leonora is required to comply with the State Government imposed Disability Services Act (1993).
- (B) A Disability Access Inclusion Plan 2013-2018 has been approved with the following principal intent.
 - (i) Existing services are adapted to ensure they meet the needs of people with disabilities.
 - (ii) Access to buildings and facilities are improved.
- (C) The following delivery of services was implemented in the reporting year.
NIL

10.0 RECORD KEEPING PLAN

STATE RECORDS ACT 2000

- (A) The Shire of Leonora is required to comply with the abovementioned State Government imposed Legislation.
- (B) A Record Keeping Plan has been produced and approved by the State Records Commission for a period of 5 years to the 30th June, 2017. This plan resulted from a review of Council's previous plan prior to 8th October, 2012.

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(C) In accordance with minimum compliance requirements of Principle 6 of the State Records Commission – Standard 2, the following has been implemented:

1. The efficiency and effectiveness of Councils Record Keeping Systems is evaluated not less than once every three years.
2. The Council conducts a Record Keeping Training program.
3. The efficiency and effectiveness of the Record Keeping Training program is reviewed from time to time.
4. The Council's induction program addresses employee roles and responsibilities in regard to their compliance with Council's Record Keeping Plan.

11.0 EMPLOYEES'S REMUNERATION

Pursuant to Section 5.53 (2)(g) of the Local Government Act 1995, and Administration Regulation 19B, set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

Salary Range (\$)	No. of Employees
130,000 – 139,999	3
250,000 – 259,999	1

12.0 OFFICIAL CONDUCT – COMPLAINTS REGISTER

Pursuant to S.5.121 of the Local Government Act 1995, a complaints register has been maintained. As at the 30th June 2016, no complaints were recorded, therefore no action was required to deal with complaints.