

Shire of Narrogin



ANNUAL REPORT

2014 / 2015



SHIRE OF NARROGIN

ANNUAL REPORT

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Shire President's Report



It is with pleasure that I present this report to the Electors of the Shire of Narrogin for the financial year ending the 30th June 2015.

In my report last year I commented on the progress being made on the proposal to merger with the Town of Narrogin. During the year momentum increased and I can now report that this important structural change will go ahead.

A great deal of negotiation was held with the Town of Narrogin and I thank all the elected members involved for their genuine commitment to reaching an outcome that is satisfactory to both parties.

It is now confirmed that the merger with the Town will proceed on the 1st July 2016. The Local Government Advisory Board undertook a review of this proposal and recommended the merger to the Minister for Local Government, which he accepted.

The basis of the agreement between the Shire and Town is a comprehensive Memorandum of Understanding. The majority of the points contained in the document were supported by the Local Government Advisory Board and the Minister. The local governments will be looking closely at the State to ensure our agreed position is not amended as procedural matters that progress the merger are implemented.

Importantly for the Shire there are a number of key elements of the merger that have been agreed. For an initial period there is to be a Ward system based on previous boundaries and an equal number of elected members from the old Shire and Town to form the new Council. A popularly elected head will remain for an initial period however a poll will be conducted of all electors to see if they favour a change to the head being elected from within the Council.

The new entity will be named the 'Shire of Narrogin' and work is underway to develop new branding and logo, which will compliment the local government as it moves into a new era.

The State Government has agreed to help fund this transition, reducing the cost burden on the local governments. Some of this funding will help to review all aspects of the functions of the local governments and set us up well for the future. I thank everyone for their efforts in getting us to this point.



Joint Cooperation

The Shire of Narrogin continues to work closely with the Town of Narrogin in a number of ways to improve our community and encourage growth and development.

Each year the Shire makes a cash contribution to the Town to acknowledge that it provides services and facilities that are used by Shire residents. This financial year the amount was \$147,000, with a further contribution of approximately \$33,000 being made for accepting kerbside waste collection into the White Road Refuse Site. Each year your Council considers an appropriate contribution to be made to the Town as part of the budget process. In 2014/15 an additional contribution of \$7,000 was made, including \$2,000 for general access to the White Road Waste Site, \$3,000 for Cemetery maintenance and \$2,000 for ongoing operation of the Town Hall.

Narrogin Airport

It is pleasing to note that during the year the Shire and Town progressed the purchase of additional land adjacent to the Narrogin Airport. This purchase increases the freehold land holding of this jointly owned facility.

The Airport Master Plan highlights the opportunities that could be realised if further development is encouraged at the airport. The key to this had been access to more land.

Interest has been expressed by the Australian Air Force Cadets who are keen to relocate to Narrogin to build on the close association it has with the Narrogin Gliding Club. Two gliders are already stationed at the airport and future plans may include specific built infrastructure for storage, training and accommodation.

This type of development can be a catalyst for more industries locating to Narrogin based around aviation activities.

Local Planning Scheme

On a disappointing note I have to again report that little progress has been made to finalise the Joint Local Planning Scheme and Local Planning Strategy. I hope that during the merger process with the Town of Narrogin, these important documents can be delivered.

Vote of Thanks

I would like to extend my thanks to the Chief Executive Officer and his Staff for their efforts during the year. With the Shire undertaking additional work for Main Roads, the Works Unit Staff have been put under more pressure to complete the Shire's own projects. Well done to the Works Manager and to everyone involved.

I would also like to thank my fellow Councillors for their support during my time as President. I appreciate the time that they give to this task so willingly.

Finally, to the Community, I thank you for taking an interest in the affairs of your local government and for showing your support and trust in me as your President.

Richard Chadwick
SHIRE PRESIDENT

Chief Executive Officer's Report



It is my pleasure to present the following report for the 2014/2015 financial year.

CAPITAL PROJECTS

Once again the Shire of Narrogin carried out a large capital works program. Road Construction dominated this program with over \$2.23million being spent. Featured below are some of the improvement works undertaken during the year:

Wanerie Road—Construction \$865,647



Chomley/Tarwonga Roads - Intersection \$180,310



The largest component of the Shire's expenditure each year is dedicated to road maintenance and construction works. A key to the ongoing expenditure in this area is the ability to attract funds from external sources.

Fortunately there are a number of income streams available to local government to offset this necessary expenditure. During the year grant funds were received from the State Government through the Road Project Grants Scheme, State Black Spot Programme and Royalties for Regions. The Federal Government contributes with the Roads to Recovery Program and the Local Road Component of the Financial Assistance Grants. These funds are topped up by a local government contribution.



PLANT PURCHASES

It is pleasing to note that the Shire continued to invest in an up-to-date fleet of plant and equipment for the Works Unit.

During the year the Shire purchased a new John Deere 670G Grader to replace an ageing machine. Similarly, a New Holland T5060 Tractor was purchased to replace the 2002 Case CX80 Tractor. Two ageing light trucks were replaced with purpose built Hino automatic trucks. The crew cab becomes the maintenance truck and the single cab is able to be fitted out for roadside spraying.

Photos of some of the items purchased during the year follows.

John Deere 670G Grader — \$351,780



Hino 300 Crew Cab — \$80,758



Hino 300 Single Cab — \$70,658



Upgrading of the fleet over the last few years will set the Shire up well for the proposed merger with the Town. It also demonstrates the professional approach taken by the Shire to this aspect of its operations and compliments the extensive contract work that has been performed for Main Roads in recent years.

FINANCIAL POSITION

The Shire concluded the financial year in a sound position. The Financial Statements show that the Shire had net current assets, less current liabilities, of \$2,635,396 and a total equity of \$102,477,127 as at 30th June 2015. It should be noted however that net current assets includes unspent grant funds totalling \$1,008,179. It is anticipated that these funds will be expended in the new financial year.

Principal outstanding on loans is low with a total of \$127,051 owing at the conclusion of the financial year. There were no new loans raised during the year.

This financial year concludes the first three year cycle of including fair value reporting in the financial statements. In 2012/13, Furniture & Equipment and Plant & Equipment were valued. This was followed last year with Land and Buildings. The final stage has involved fair values on the Shire's infrastructure, primarily roads and drainage. The values brought into the Statement of Financial Position now show infrastructure worth in excess of \$92.6m. The challenge going forward is to demonstrate that the Shire is sustainable enough to maintain an asset of this value. Many local governments will be faced with this challenge as fair value reporting is mandatory and performance can be measured against like Councils.

STAFF

The total number of Staff remained steady during the year with only minor changes occurring. There were no changes in the Staff working at the Shire Office.

The Shire has assisted ARTS Narrogin with the employment of a part-time Administration Officer. The arrangement works well with the Shire acting as the employer and ARTS Narrogin providing the day-to-day management of the employee. During the year Rebecca Allenby and Kerri Lock departed and we welcome Caitlyn Stewart to the role.

The Works Unit had a minor change during the year. Gary Brooke resigned and Robert Bruce was employed to fill the role.

In conclusion, I would like to pass on my thanks to the Shire President, Richard Chadwick and the Councillors for their on-going support. Also, thank you to the Staff who support me and work hard to maintain a high standard of service to our community.

Geoff McKeown

Chief Executive Officer

STATUTORY REPORTS

FREEDOM OF INFORMATION

In accordance with the Freedom of Information Act 1992, the Shire of Narrogin is required to publish an information statement. This document is available from the Shire of Narrogin Office or the website.

Freedom of Information Act 1992

An Act to provide for public access to documents, and to enable the public to ensure that personal information in documents is accurate, complete, up to date and not misleading, and for related purposes.

NATIONAL COMPETITION POLICY

The competitive advantages of the various levels of government have received a great deal of attention. The Federal and all State and Territory Governments have signed a Competition Principles Agreement (CPA), which is binding on Local Government.

The Agreement requires Council to carry out a number of procedures and include a report on the matter in each year's Annual Report. The three areas that affect Local Government are:

Competitive Neutrality – To remove benefits (and costs) which accrue to Government business as a result of their public ownership.

From an examination of the revenue statement for the Shire of Narrogin there is no activity reportable under CPA in the 2014/15 Financial Year.

Structural Reform – Local Government is required to reform the structure of publicly owned monopoly business where it is proposed to introduce competition.

In this area, the Council has no monopoly activities.

Legislation Review – To review legislation that restricts competition.

The Council has a limited number of local laws (previously known as by-laws), which may or may not conflict with the CPA. These local laws are currently being reviewed to ensure compliance with the reporting requirements.

DISABILITY ACCESS AND INCLUSION PLAN

The Disability Services Amendment Act 1999 requires local governments to report on their Disability Access and Inclusion Plan (DAIP) achievements

The Shire of Narrogin recognises that people with disability are valued members of the community who make various contributions, to local, social, economic and cultural life.

The 7 outcomes upon which the DAIP has been based will assist the Shire of Narrogin to design, develop and implement fair and equitable disability related policies.

Outcome 1: People with disability have the same opportunities as other people to access the services of, and any events organised by the Shire of Narrogin;

Outcome 2: People with disability have the same opportunities as other people to access the buildings and other facilities managed by the Shire of Narrogin;

Outcome 3: People with disability receive information from the Shire of Narrogin in a format that will enable them to access the information as readily as other people;

Outcome 4: People with disability receive the same level and quality of service from the staff of the Shire of Narrogin;

Outcome 5: People with disability have the same opportunities as other people to make complaints and compliments to the Shire of Narrogin;

Outcome 6: People with disability have the same opportunities as other people to participate in any public consultation by the Shire of Narrogin;

Outcome 7: People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Narrogin.

The Shire of Narrogin is committed to consulting with people with disability, their families and carers and where required, disability organisations to ensure that barriers to access and inclusion are addressed appropriately and that its agents and contractors work towards the desired outcomes of the Disability Access and Inclusion Plan.

The Shire of Narrogin Disability Access and Inclusion Plan for 2015-2019 document is available from the Shire of Narrogin Office or the website.

RECORD KEEPING PLAN

The State Records Act 2000 requires all local authorities to produce a Record Keeping Plan to be endorsed by the State Records Commission. The Shire of Narrogin adopted a Record Keeping Plan in April 2008. This Plan was revised and adopted by Council in 2013

The Shire of Narrogin is currently undergoing a review of records and assigning them for either to be archived or disposed of. All records are disposed of in accordance with the General Disposal Authority for Local Government Records. The Disposal Authority defines the minimum periods of time that different classes of records must be kept and provides guidelines for destruction of records after they have met the retention requirements of the schedule.

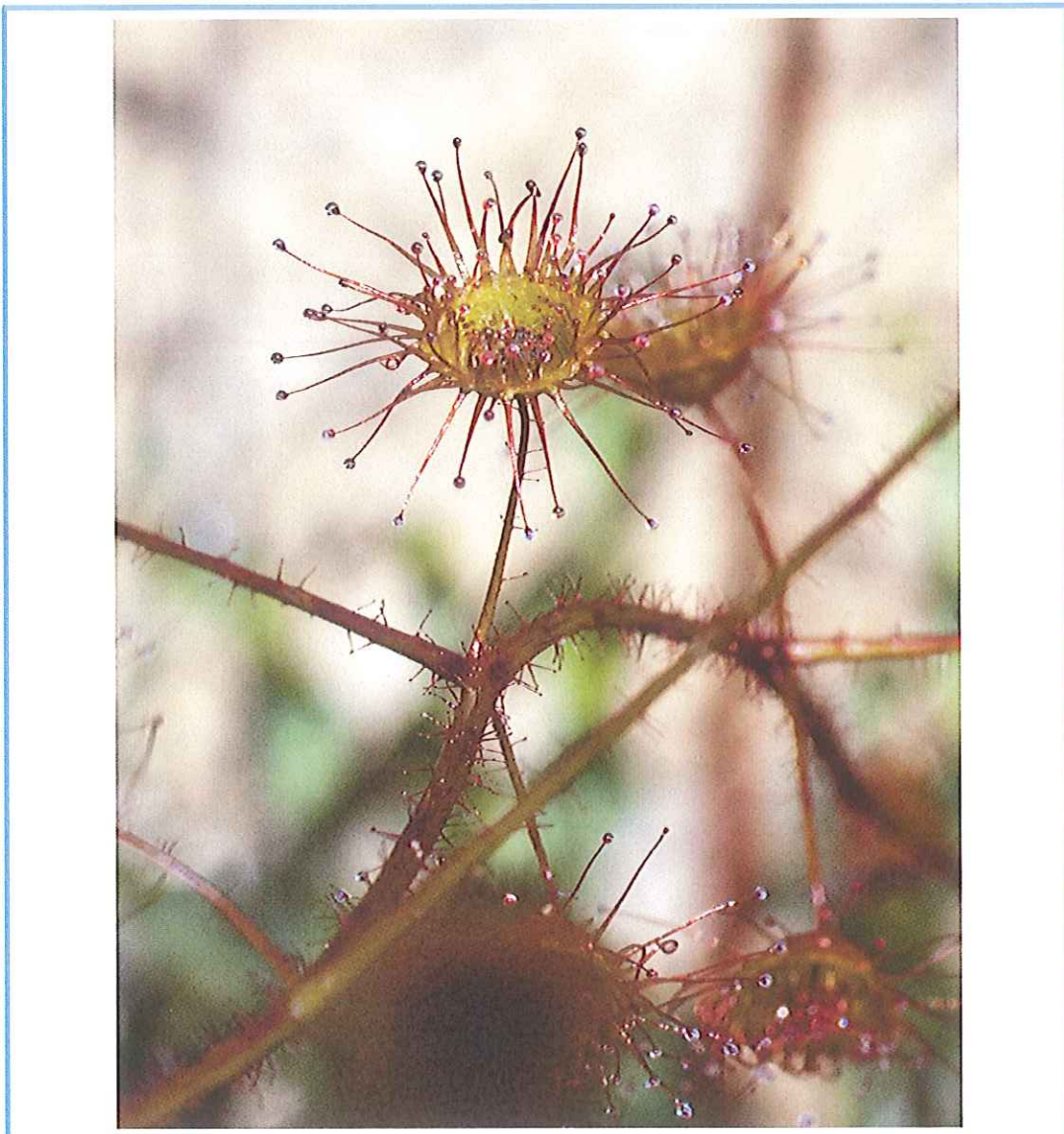
COMPLAINTS OF MINOR BREACHES

There were no complaints that resulted in action against Councillors under section 5.121 of the Local Government Act 1995.

EMPLOYEES REMUNERATION

The Local Government (Administration) Regulation 19B requires the annual report to contain details of the number of employees of the local government entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each such band over \$100,000.

Salary Range	2014	2015
\$120,000 - \$130,000	1	
\$130,000 - \$140,000		1



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

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Principal place of business:
Shire of Narrogin
43 Federal Street
Narrogin WA 6312

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Narrogin being the annual financial report and supporting notes and other information for the financial year ended 30th June 2015 are in my opinion properly drawn up to present fairly the financial position of the Shire of Narrogin at 30th June 2015 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 *9th* day of *OCTOBER* 2015



Geoff McKeown
Chief Executive Officer

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

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Rates	22	941,221	937,748	844,884
Operating Grants, Subsidies and Contributions	28	2,360,228	1,800,003	1,333,543
Fees and Charges	27	2,315,314	1,891,456	3,216,488
Service Charges	24	0	0	0
Interest Earnings	2(a)	24,838	25,570	32,917
Other Revenue		2	0	(2)
		<u>5,641,603</u>	<u>4,654,777</u>	<u>5,427,830</u>
Expenses				
Employee Costs		(1,012,041)	(1,050,000)	(1,114,539)
Materials and Contracts		(2,803,579)	(2,563,562)	(3,409,958)
Utility Charges		(42,948)	(41,000)	(40,496)
Depreciation on Non-Current Assets	2(a)	(964,135)	(949,287)	(853,121)
Interest Expenses	2(a)	(11,922)	(11,922)	(16,961)
Insurance Expenses		(145,492)	(125,000)	(124,205)
Other Expenditure		0	0	0
		<u>(4,980,117)</u>	<u>(4,740,771)</u>	<u>(5,559,280)</u>
		661,487	(85,994)	(131,450)
Non-Operating Grants, Subsidies and Contributions				
	28	2,540,561	1,503,175	869,714
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	0	0	0
Profit on Asset Disposals	20	3,218	0	385
Loss on Asset Disposal	20	(52,132)	(57,650)	(61,499)
		<u>2,540,561</u>	<u>1,503,175</u>	<u>869,714</u>
Net Result		3,153,133	1,359,531	677,150
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	66,637,328	0	2,676,011
Total Other Comprehensive Income		<u>66,637,328</u>	<u>0</u>	<u>2,676,011</u>
Total Comprehensive Income		<u>69,790,461</u>	<u>1,359,531</u>	<u>3,353,162</u>

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

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

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Governance		0	0	25,742
General Purpose Funding		2,489,179	1,964,101	1,361,709
Law, Order, Public Safety		22,751	22,492	18,937
Health		2,144	2,500	3,276
Education and Welfare		150	0	37,514
Housing		19,600	18,200	19,600
Community Amenities		56,923	58,244	54,595
Recreation and Culture		29,153	20,000	14,632
Transport		2,845,922	2,400,300	3,714,257
Economic Services		8,757	9,850	9,895
Other Property and Services		<u>167,025</u>	<u>159,090</u>	<u>167,673</u>
	2(a)	<u>5,641,603</u>	<u>4,654,777</u>	<u>5,427,830</u>
Expenses				
Governance		(127,065)	(132,850)	(230,538)
General Purpose Funding		(33,872)	(32,600)	(38,905)
Law, Order, Public Safety		(60,565)	(72,525)	(80,564)
Health		(41,582)	(49,100)	(50,412)
Education and Welfare		(3,658)	(4,030)	(71,652)
Housing		(13,556)	(14,025)	(8,099)
Community Amenities		(130,978)	(144,575)	(121,117)
Recreation and Culture		(193,141)	(182,079)	(207,767)
Transport		(4,268,977)	(3,986,227)	(4,580,085)
Economic Services		(70,542)	(70,650)	(75,785)
Other Property and Services		<u>(24,258)</u>	<u>(40,188)</u>	<u>(77,396)</u>
	2(a)	<u>(4,968,195)</u>	<u>(4,728,849)</u>	<u>(5,542,320)</u>
Finance Costs				
Recreation and Culture		(2,601)	(2,601)	(3,650)
Transport		<u>(9,321)</u>	<u>(9,321)</u>	<u>(13,311)</u>
	2(a)	<u>(11,922)</u>	<u>(11,922)</u>	<u>(16,961)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
		0	0	0
Non-Operating Grants, Subsidies and Contributions				
		<u>2,540,561</u>	<u>1,503,175</u>	<u>869,714</u>
		2,540,561	1,503,175	869,714
Profit/(Loss) on Disposal of Assets				
Profit on Asset Disposals		3,218	0	385
Loss on Asset Disposal		<u>(52,132)</u>	<u>(57,650)</u>	<u>(61,499)</u>
		<u>(48,914)</u>	<u>(57,650)</u>	<u>(61,114)</u>
Net Result		<u>3,153,133</u>	<u>1,359,531</u>	<u>677,150</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	<u>66,637,328</u>	<u>0</u>	<u>2,676,011</u>
Total Other Comprehensive Income		<u>66,637,328</u>	<u>0</u>	<u>2,676,011</u>
Total Comprehensive Income		<u><u>69,790,461</u></u>	<u><u>1,359,531</u></u>	<u><u>3,353,161</u></u>

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

SHIRE OF NARROGIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	3,037,228	1,105,687
Trade and Other Receivables	4	345,577	1,019,282
Inventories	5	8,828	3,931
TOTAL CURRENT ASSETS		<u>3,391,633</u>	<u>2,128,899</u>
NON-CURRENT ASSETS			
Other Receivables	4	0	0
Inventories	5	0	0
Property, Plant and Equipment	6	7,268,423	7,285,771
Infrastructure	7	92,662,337	24,280,599
TOTAL NON-CURRENT ASSETS		<u>99,930,760</u>	<u>31,566,370</u>
TOTAL ASSETS		<u>103,322,393</u>	<u>33,695,269</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	443,759	575,037
Long Term Borrowings	9	49,458	63,508
Provisions	10	263,020	236,197
TOTAL CURRENT LIABILITIES		<u>756,237</u>	<u>874,742</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	77,593	127,051
Provisions	10	11,436	6,810
TOTAL NON-CURRENT LIABILITIES		<u>89,029</u>	<u>133,862</u>
TOTAL LIABILITIES		<u>845,266</u>	<u>1,008,603</u>
NET ASSETS		<u>102,477,127</u>	<u>32,686,666</u>
EQUITY			
Retained Surplus		30,846,829	27,820,416
Reserves - Cash Backed	11	951,945	825,225
Revaluation Surplus	12	70,678,353	4,041,025
TOTAL EQUITY		<u>102,477,127</u>	<u>32,686,666</u>

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

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

	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2013	26,519,241	1,449,250	1,365,014	29,333,505
Changes in Accounting Policy	0	0	0	0
Correction of Errors	0	0	0	0
Restated Balance	26,519,241	1,449,250	1,365,014	29,333,505
Comprehensive Income				
Net Result	677,150	0	0	677,150
Changes on Revaluation of Non-Current Assets	0	0	2,676,011	0
Total Comprehensive Income	677,150	0	2,676,011	3,353,161
Reserve Transfers	624,025	(624,025)	0	0
Balance as at 30 June 2014	27,820,416	825,225	4,041,025	32,686,666
Comprehensive Income				
Net Result	3,153,133	0	0	3,153,133
Changes on Revaluation of Non-Current Assets	0	0	66,637,328	66,637,328
Total Other Comprehensive Income	3,153,133	0	66,637,328	69,790,461
Reserve Transfers	(126,720)	126,720	0	0
Balance as at 30 June 2015	30,846,829	951,945	70,678,353	102,477,127

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

SHIRE OF NARROGIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 \$	2015 Budget \$	2014 \$
Cash Flows From Operating Activities				
Receipts				
Rates		926,055	971,461	843,136
Operating Grants, Subsidies and Contributions		2,360,228	1,800,003	1,333,543
Fees and Charges		3,004,185	2,877,025	2,322,895
Service Charges		0	0	0
Interest Earnings		24,838	25,570	32,917
Goods and Services Tax		1,015,413	750,000	869,713
Other Revenue		2		(2)
		<u>7,330,721</u>	<u>6,424,059</u>	<u>5,402,202</u>
Payments				
Employee Costs		(963,010)	(1,041,000)	(1,078,663)
Materials and Contracts		(2,956,428)	(3,132,353)	(3,459,678)
Utility Charges		(42,948)	(41,000)	(40,496)
Insurance Expenses		(145,492)	(125,000)	(124,205)
Interest expenses		(12,830)	(12,830)	(18,093)
Goods and Services Tax		(1,015,413)	(750,000)	(869,713)
Other Expenditure		0	0	0
		<u>(5,136,121)</u>	<u>(5,102,183)</u>	<u>(5,590,848)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>2,194,600</u>	<u>1,321,876</u>	<u>(188,646)</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(682,814)	(991,250)	(892,417)
Payments for Construction of Infrastructure		(2,230,022)	(1,801,355)	(1,490,181)
Advances to Community Groups		0	0	0
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		2,540,561	1,184,009	869,714
Proceeds from Sale of Plant & Equipment		172,725	102,000	102,461
Proceeds from Advances		0	0	0
Proceeds from Sale of Investments		0	0	0
Net Cash Provided By (Used In) Investing Activities		<u>(199,551)</u>	<u>(1,506,596)</u>	<u>(1,410,422)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(63,508)	(63,508)	(76,292)
Repayment of Finance Leases		0	0	0
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures		0	0	0
Net Cash Provided By (Used In) Financing Activities		<u>(63,508)</u>	<u>(63,508)</u>	<u>(76,292)</u>
Net Increase (Decrease) in Cash Held		1,931,541	(151,892)	(1,675,359)
Cash at Beginning of Year		1,105,687	1,105,687	2,781,046
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>3,037,228</u></u>	<u><u>953,795</u></u>	<u><u>1,105,687</u></u>

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

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

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		0	0	25,742
General Purpose Funding		1,547,958	1,026,353	516,825
Law, Order, Public Safety		22,751	22,492	18,937
Health		2,144	2,500	3,276
Education and Welfare		150	0	37,514
Housing		19,600	18,200	19,600
Community Amenities		56,923	58,244	54,595
Recreation and Culture		29,153	20,000	14,632
Transport		5,389,700	3,903,475	4,584,355
Economic Services		8,757	9,850	9,895
Other Property and Services		167,025	159,090	167,673
		<u>7,244,160</u>	<u>5,220,204</u>	<u>5,453,045</u>
Expenses				
Governance		(127,065)	(132,850)	(230,538)
General Purpose Funding		(33,872)	(32,600)	(38,905)
Law, Order, Public Safety		(60,565)	(72,525)	(80,564)
Health		(41,582)	(49,100)	(50,412)
Education and Welfare		(3,658)	(4,030)	(71,652)
Housing		(13,556)	(14,025)	(8,099)
Community Amenities		(130,978)	(144,575)	(121,117)
Recreation and Culture		(195,742)	(184,680)	(211,417)
Transport		(4,330,363)	(4,053,198)	(4,654,806)
Economic Services		(70,542)	(70,650)	(75,785)
Other Property and Services		(24,325)	(40,188)	(77,484)
		<u>(5,032,248)</u>	<u>(4,798,421)</u>	<u>(5,620,779)</u>
Net Result Excluding Rates		2,211,912	421,783	(167,734)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Land				
(Profit)/Loss on Asset Disposals	20	48,914	57,650	61,114
Movement in Accrued Interest		(908)	(908)	(1,132)
Movement in Deferred Pensioner Rates (Non-Current)		0	0	0
Movement in Accrued Salaries and Wages		0	0	0
Movement in Employee Benefit Provisions (Non-Current)		17,326	9,000	29,535
Depreciation and Amortisation on Assets	2(a)	964,135	949,287	853,121
Capital Expenditure and Revenue				
Purchase Land Held for Resale		0	0	0
Purchase Land and Buildings		(30,474)	(90,000)	(9,593)
Purchase Infrastructure Assets - Roads		(2,230,022)	(2,270,685)	(1,490,181)
Purchase Plant and Equipment		(649,850)	(766,750)	(878,444)
Purchase Furniture and Equipment		(2,490)	(5,000)	(4,380)
Purchase of Investments		0	0	0
Proceeds from Disposal of Investments		0	0	0
Proceeds from Disposal of Assets	20	172,725	219,000	102,461
Repayment of Debentures	21	(63,508)	(63,508)	(76,292)
Proceeds from New Debentures	21	0	0	0
Self-Supporting Loan Principal Income		0	0	0
Transfers to Reserves (Restricted Assets)	11	(126,720)	(128,570)	(25,975)
Transfers from Reserves (Restricted Assets)	11	0	0	650,000
) Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	572,686	730,953	685,302
) Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	1,824,946	0	572,686
Total Amount Raised from General Rate	22(a)	<u>(941,221)</u>	<u>(937,748)</u>	<u>(844,884)</u>

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

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

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 amounts 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 19 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

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.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed Roads and Streets	
Formation	not depreciated
Pavement	50 years
Seal	
- Bituminous Seals	20 years
- Asphalt Surfaces	25 years
Gravel Roads	
Formation	not depreciated
Pavement	50 years
Formed Roads (Unsealed)	
Formation	not depreciated
Pavement	50 years
Footpaths - Slab	20 years
Sewerage Piping	100 years
Water Supply Piping and Drainage Systems	75 years

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

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

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

Capitalisation Threshold

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

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

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

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 at least every 3 years.

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

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

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.

(w) Merger with the Town of Narrogin

It is proposed that the Shire of Narrogin and Town of Narrogin will merge on the 1st July 2016. The Town of Narrogin will be the continuing entity with the Shire of Narrogin being subsumed from that date.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	September 2012	1 January 2018	Nil – The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Shire (refer (i) above).
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.
[Operative date: Part C Financial Instruments - 1 January 2015]			As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Shire."
(v) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.
(vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	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. This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	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. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	It is not anticipated it will have any significant impact on disclosures. This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

(x) Adoption of New and Revised Accounting Standards

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

These new and revised Standards were:

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

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

(y) Going Concern

On 19th March 2015 the Shire of Narrogin resolved to merge with the Town of Narrogin effective as at 1st July 2016.

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

2. REVENUE AND EXPENSES	2015	2014	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the Annual Financial Report	7,066	8,500	
- Financial Management Review	0	0	
- Assistance with the finalisation of the Annual Financial Report	0	0	
- Other Services	0	0	
Depreciation			
Buildings	84,935	37,473	
Furniture and Equipment	4,781	3,816	
Plant and Equipment	388,807	346,721	
Roads	485,612	465,111	
Footpaths	0	0	
Drainage	0	0	
	<u>964,135</u>	<u>853,121</u>	
Interest Expenses (finance costs)			
Finance Lease Charges	0	0	
Debentures (Refer Note 21a)	98,013	16,961	
	<u>98,013</u>	<u>16,961</u>	
(ii) Crediting as Revenue:			
Other Revenue			
	2015	2015	2014
	Actual	Budget	Actual
	\$	\$	\$
Interest Earnings			
- Reserve Funds	16,720	18,570	25,675
- Other Funds	8,118	7,000	7,243
	<u>24,838</u>	<u>25,570</u>	<u>32,917</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

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

GOVERNANCE

Objective:

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

Activities:

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

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision and maintenance of elderly residents housing.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

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

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

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

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received (+)	Expended (#)	Closing	Received (+)	Expended (#)	Closing
Grant/Contribution	Function/ Activity	Balance (*) 1-Jul-13	2013/14	2013/14	Balance (*) 30-Jun-14	2014/15	2014/15	Balance 30-Jun-15
		\$	\$	\$	\$	\$	\$	\$
Safety & Crime Prevention	Law,Order,Public Safety	0			0			0
Royalties for Regions 2010/11	Transport	0			0			0
Royalties for Regions 2011/12	Transport	122,500		(23,899)	98,601		(98,601)	0
Royalties for Regions 2012/13	Transport	0			0	860,555	(860,555)	0
Royalties for Regions 2013/14	Transport	0			0	1,039,445	(31,277)	1,008,168
PaCE Program Co-ordinator	Education and Welfare	23,362	30,192	(53,554)	0			0
State Black Spot Grant					0	107,620	(107,620)	0
RTG Regional Business, Strategic & Asset Management Plans	Governance	2,172		(2,172)	0			0
RTG Long Term Financial Plan	Governance	50,201		(50,190)	11			11
RTG Workforce Plan		15,000		(15,000)	0			0
Dedicated Deputy Project	Law,Order,Public Safety	0			0			0
Western Power Community Grant		0			0			0
Early Years Network		527	7,273	(4,620)	3,179	150	(3,329)	0
Total		213,762	37,465	(149,436)	101,791	2,007,770	(1,101,382)	1,008,179

Notes:

(*) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(+) - 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.

(#) - 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 NARROGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,077,105	178,672
Restricted	<u>1,960,124</u>	<u>927,015</u>
	<u><u>3,037,228</u></u>	<u><u>1,105,687.00</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Long Service Leave Reserve	92,037	80,245
Plant Replacement Reserve	290,177	284,306
Property Maintenance Reserve	7,494	7,342
Office Equipment Reserve	14,338	14,047
Road Construction Reserve	446,772	439,284
Recreation Reserve	20,225	0
Waste Site Development	80,902	0
Unspent Grants	1,008,179	101,791
Unspent Loans	<u>0</u>	<u>0</u>
	<u><u>1,960,124</u></u>	<u><u>927,015</u></u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	48,879	33,713
Sundry Debtors	296,698	985,569
GST Receivable	0	0
Loans - Clubs/Institutions	<u>0</u>	<u>0</u>
	<u><u>345,577</u></u>	<u><u>1,019,282</u></u>
Non-Current		
Rates Outstanding - Pensioners	0	0
Loans - Clubs/Institutions	<u>0</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>0</u></u>
5. INVENTORIES		
Current		
Fuel and Materials	8,828	3,931
History Books	0	0
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	<u>0</u>	<u>0</u>
	<u><u>8,828</u></u>	<u><u>3,931</u></u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	<u>0</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>0</u></u>

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

	2015	2014
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
Independent Valuation 2013	1,042,773	1,042,773
Additions after Valuation - Cost	<u>30,474</u>	<u>0</u>
	<u>1,073,247</u>	<u>1,042,773</u>
Non-Specialised Buildings at:		
Management Valuation 2013	3,237,386	3,237,386
Additions after Valuation - Cost	0	0
Less: Accumulated Depreciation	<u>(84,935)</u>	<u>0</u>
	<u>3,152,452</u>	<u>3,237,386</u>
Total Land and Buildings	<u>4,225,699</u>	<u>4,280,159</u>
Furniture and Equipment at:		
Management Valuation 2013	18,780	18,880
Additions after Valuation - Cost	2,490	0
Less: Accumulated Depreciation	<u>(8,553)</u>	<u>(3,804)</u>
	<u>12,717</u>	<u>15,076</u>
Plant and Equipment at:		
Management Valuation 2013	3,064,744	3,331,744
Additions after Valuation - Cost	649,850	0
Less: Accumulated Depreciation	<u>(684,587)</u>	<u>(341,208)</u>
	<u>3,030,007</u>	<u>2,990,536</u>
	<u>7,268,423</u>	<u>7,285,771</u>

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

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Freehold Land	1,042,773	30,474	0	0	0	0	0	1,073,247
Total Land	1,042,773	30,474	0	0	0	0	0	1,073,247
Non-Specialised Buildings	3,237,386	0	0	0	0	(84,935)	0	3,152,452
Total Buildings	3,237,386	0	0	0	0	(84,935)	0	3,152,452
Total Land and Buildings	4,280,159	30,474	0	0	0	(84,935)	0	4,225,699
Furniture and Equipment	15,076	2,490	(100)	0	0	(4,748)	0	12,717
Plant and Equipment	2,990,536	649,850	(267,000)	0	0	(343,379)	0	3,030,007
Total Property, Plant and Equipment	7,285,771	682,814	(267,100)	0	0	(433,062)	0	7,268,423

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and Buildings					
Freehold Land	2	Determined on the basis of market value, utilising comparable sales evidence for similar type properties	Independent Registered Valuer	October 2012	Sales Comparison Approach to market type properties and the Cost Approach to non-market-type properties, or where applicable a combination of both
Non-Specialised Buildings	2	Determined on the basis of market value, utilising comparable sales evidence for similar type properties	Independent Registered Valuer	October 2012	Sales Comparison Approach to market type properties and the Cost Approach to non-market-type properties, or where applicable a combination of both
Furniture and Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2013	Purchase cost and current condition
Plant and Equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2013	Purchase cost and current condition

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

	2015	2014
	\$	\$
7 (a). INFRASTRUCTURE		
Roads		
Management Valuation 2015 - Level 3	113,163,436	30,542,916
Cost	0	0
Less Accumulated Depreciation	<u>(20,501,099)</u>	<u>(6,262,318)</u>
	<u>92,662,337</u>	<u>24,280,599</u>
Footpaths		
Less Accumulated Depreciation	<u>0</u>	<u>0</u>
	0	0
Drainage		
Less Accumulated Depreciation	<u>0</u>	<u>0</u>
	0	0
	<u><u>92,662,337</u></u>	<u><u>24,280,599</u></u>

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

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

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of the Year \$
Roads	24,280,599	2,230,022	0	66,637,328	0	(485,612)	0	92,662,337
Footpaths	0	0	0	0	0	0	0	0
Drainage	0	0	0	0	0	0	0	0
Total Infrastructure	24,280,599	2,230,022	0	66,637,328	0	(485,612)	0	92,662,337

The revaluation of infrastructure assets resulted in an increase on revaluation of \$66,637,328 in the net value of infrastructure. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	3	Cost approach, utilising ROMAN2 software for depreciated replacement cost	Independent Valuation	June 2015	Construction unit rates for each component and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs
Footpaths	3	Cost approach, utilising ROMAN2 software for depreciated replacement cost	Independent Valuation	June 2015	Construction unit rates for each component and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs
Drainage	3	Cost approach, utilising ROMAN2 software for depreciated replacement cost	Independent Valuation	June 2015	Construction unit rates for each component 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 NARROGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	386,768	534,719
Accrued Interest on Debentures	1,407	2,315
Accrued Salaries and Wages	55,584	38,003
	<u>443,759</u>	<u>575,037</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge		
Debentures	49,458	63,508
Lease Liability	0	0
	<u>49,458</u>	<u>63,508</u>
Non-Current		
Secured by Floating Charge		
Debentures	77,593	127,051
Lease Liability	0	0
	<u>77,593</u>	<u>127,051</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	263,020	236,197
Non-Current	11,436	6,810
	<u>274,456</u>	<u>243,007</u>

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance as at 1 July 2014	90,246	152,761	243,007
Additional provisions	19,710	11,739	31,449
Amounts used	0	0	0
Used amounts reversed	0	0	0
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	0	0
Balance at 30 June 2015	<u>109,956</u>	<u>164,500</u>	<u>274,456</u>

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

	2015 \$	2015 Budget \$	2014 \$
11. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	80,245	80,245	78,336
Amount Set Aside / Transfer to Reserve	11,792	11,805	1,909
Amount Used / Transfer from Reserve	0	0	0
	<u>92,037</u>	<u>92,050</u>	<u>80,245</u>
(b) Plant Replacement Reserve			
Opening Balance	284,306	284,306	920,805
Amount Set Aside / Transfer to Reserve	5,872	6,400	13,501
Amount Used / Transfer from Reserve	0	0	(650,000)
	<u>290,177</u>	<u>290,706</u>	<u>284,306</u>
(c) Property Maintenance Reserve			
Opening Balance	7,342	7,342	7,078
Amount Set Aside / Transfer to Reserve	152	165	265
Amount Used / Transfer from Reserve	0	0	0
	<u>7,494</u>	<u>7,507</u>	<u>7,342</u>
(d) Office Equipment Reserve			
Opening Balance	14,047	14,048	13,632
Amount Set Aside / Transfer to Reserve	290	315	416
Amount Used / Transfer from Reserve	0	0	0
	<u>14,338</u>	<u>14,363</u>	<u>14,047</u>
(e) Road Construction Reserve			
Opening Balance	439,284	439,284	429,400
Amount Set Aside / Transfer to Reserve	7,488	9,885	9,885
Amount Used / Transfer from Reserve	0	0	0
	<u>446,772</u>	<u>449,169</u>	<u>439,284</u>
(f) Recreation Facilities Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	20,225	20,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>20,225</u>	<u>20,000</u>	<u>0</u>
(g) Waste Site Development Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	80,902	80,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>80,902</u>	<u>80,000</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>951,945</u>	<u>953,795</u>	<u>825,225</u>

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

11 RESERVES - CASH BACKED (Continued)

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

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

- (a) Long Service Leave Reserve
 - to be used to fund long service leave requirements
- (b) Plant Replacement Reserve
 - to be used for the purchase of major plant
- (c) Property Maintenance Reserve
 - to be used for the ongoing maintenance and improvement of Council buildings
- (d) Office Equipment Reserve
 - to be used for the replacement of office equipment
- (e) Road Construction Reserve
 - to be used for road construction projects
- (f) Recreation Facilities Reserve
 - to be used for the development and upgrade of recreation facilities
- (g) Waste Site Development Reserve
 - to be used for the development of a regional waste facility

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

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

12. RESERVES - ASSET REVALUATION	2015	2014
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	2,766,011	90,000
Revaluation Increment	0	4,663,672
Revaluation Decrement	0	(1,987,661)
	<u>2,766,011</u>	<u>2,766,011</u>
(b) Plant and Equipment		
Opening Balance	1,269,678	1,269,678
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>1,269,678</u>	<u>1,269,678</u>
(c) Furniture and Equipment		
Opening Balance	5,336	5,336
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>5,336</u>	<u>5,336</u>
(d) Infrastructure - Roads		
Opening Balance	0	0
Revaluation Increment	97,180,244	0
Revaluation Decrement	(30,542,916)	0
	<u>66,637,328</u>	<u>0</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>70,678,353</u></u>	<u><u>4,041,025</u></u>

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2015 \$	2015 Budget \$	2014 \$
Cash and Cash Equivalents	<u>3,037,228</u>	<u>185,276</u>	<u>1,105,687</u>

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

Net Result	3,153,133	1,359,531	677,150
Amortisation	0	0	0
Depreciation	964,135	949,287	853,121
(Profit)/Loss on Sale of Asset	48,914	57,650	61,114
(Increase)/Decrease in Receivables	673,705	1,019,282	(895,341)
(Increase)/Decrease in Inventories	(4,897)	3,931	6,219
Increase/(Decrease) in Payables	(148,859)	(572,722)	(57,070)
Increase/(Decrease) in Employee Provisions	49,030	8,092	35,877
Grants/Contributions for the Development of Assets	(2,540,561)	(1,503,175)	(869,714)
Non-Current Assets recognised due to changes in legislative requirements			
Net Cash from Operating Activities	<u>2,194,600</u>	<u>1,321,876</u>	<u>(188,646)</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	5,000	5,000
Credit Card Balance at Balance Date	0	0
Total Amount of Credit Unused	<u>5,000</u>	<u>5,000</u>

Loan Facilities

Loan Facilities - Current	49,458	63,508
Loan Facilities - Non-Current	77,593	127,051
Total Facilities in Use at Balance Date	<u>127,051</u>	<u>190,559</u>
Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>

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

14. CONTINGENT LIABILITIES

There are no contingent liabilities.

	2015	2014
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
Payable:		
- not later than one year	0	0
- later than one year but not later than five years	0	0
- later than five years	0	0
	0	0
Minimum Lease Payments	0	0
Less Future Finance Charges	0	0
Total Lease Liability	0	0
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	0	0
- later than one year but not later than five years	0	0
- later than five years	0	0
	0	0
	0	0
(c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	0

The capital expenditure project outstanding at the end of the current reporting period represents

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

16. JOINT VENTURE

The Shire of Narrogin and the Town of Narrogin have a joint venture arrangement with regard to the ownership of Lots 1 & 8 Clayton Road, Narrogin. The property is the location for the Narrogin Airport and land is held as tenants in common in equal shares.

	2015	2014
	\$	\$
Non-Current Assets		
Land & Buildings	95,474	65,000
Less: Accumulated Depreciation	0	0
	<u>95,474</u>	<u>65,000</u>

The Shire of Narrogin and the Town of Narrogin have a joint venture arrangement with regard to the ownership of Lot 205 Mokine Road, Narrogin. The property is adjacent to the light industrial area and the land is held as tenants in common in equal shares.

	2015	2014
	\$	\$
Non-Current Assets		
Land & Buildings	177,273	177,273
Less: Accumulated Depreciation	0	0
	<u>177,273</u>	<u>177,273</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	0	0
General Purpose Funding	0	0
Law, Order, Public Safety	164,750	192,375
Health	0	0
Education and Welfare	0	0
Housing	222,050	230,075
Community Amenities	88,275	90,750
Recreation and Culture	693,602	711,386
Transport	4,506,292	4,431,427
Economic Services	187,773	187,773
Other Property and Services	1,405,682	1,441,985
Unallocated	3,391,633	2,128,899
	<u>10,660,056</u>	<u>9,414,670</u>

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

	2015	2014	2013
18. FINANCIAL RATIOS			
Current Ratio	2.16	1.51	1.53
Asset Sustainability Ratio	3.02	2.79	3.05
Debt Service Cover Ratio	21.06	7.27	19.46
Operating Surplus Ratio	0.18	(0.05)	0.3
Own Source Revenue Coverage Ratio	0.68	0.73	0.86

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

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

19. TRUST FUNDS

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

	Balance 1-Jul-14 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-15 \$
Rates Paid in Advance	1,479	2,675	(2,188)	1,966
Unclaimed Wages	0			0
Housing Lease Bond	0			0
Amenity Deposit-Relocated Houses	0			0
Unspent Grant Funds	0			0
Nomination Deposits	0			0
Overpayment of Rates	500			500
	<u>1,979</u>	<u>2,675</u>	<u>(2,188)</u>	<u>2,466</u>

20. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
General Administration						
Kelvinator 2.75hp Airconditioner - Office	68	0	0	0	(68)	0
Transport - Plant and Equipment						
Case CX80 2WD Tractor (2002) NGN 10478	22,654	25,650	9,000	20,000	(13,654)	(5,650)
Isuzu 8 t (1999) NO4253	33,137	32,800	36,355	25,000	3,218	(7,800)
Mitsubishi Canter Truck NO.4677	17,818	18,000	13,636	15,000	(4,182)	(3,000)
Toyota Prado GXL (2012) NO152	42,894	42,800	38,734	39,000	(4,160)	(3,800)
Caterpillar 12H Grader (2000) NO 4290	105,068	107,000	75,000	80,000	(30,068)	(27,000)
Transport - Other					0	0
					0	0
	<u>221,639</u>	<u>226,250</u>	<u>172,725</u>	<u>179,000</u>	<u>(48,914)</u>	<u>(47,250)</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-14 \$	New Loans \$	Principal Repayments		Principal 30-Jun-15		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and Culture Loan No.49	46,990	0	17,952	17,952	29,038	29,038	2,601	2,601
Transport Loan No.50	17,236	0	17,236	17,236	0	0	586	586
Loan No 51	126,333	0	28,320	28,320	98,014	98,013	8,735	8,735
	190,559	0	63,508	63,508	127,051	127,051	11,922	11,922

(*) Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2014/15

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
	0	0						0	0	0

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

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-14 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-15 \$
		0	0	0	0
		0	0	0	0

(d) Overdraft

Council has not established an overdraft facility to assist with short term liquidity requirements.
 If required it can be established.

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

22. RATING INFORMATION - 2014/2015 FINANCIAL YEAR

(a) Rates	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 \$
RATE TYPE											
Differential General Rate / General Rate											
Gross Rental Value Valuations											
Rural	0.0480	13	270,920	13,004	0	0	13,004	13,004	0	0	13,004
Residential	0.0480	16	248,820	11,943	0	0	11,943	11,943	0	0	11,943
Special Rural	0.0480	31	532,740	25,572	0	0	25,572	25,572	0	0	25,572
Industrial	0.0480	3	55,900	2,683	0	0	2,683	2,683	0	0	2,683
Unimproved Value Valuations											
Rural	0.0053	354	158,747,000	845,748	0	0	845,748	845,748	0	0	845,748
Special Rural	0.0053	3	426,000	2,258	0	0	2,258	2,258	0	0	2,258
Sub-Totals		420	160,281,380	901,208	0	0	901,208	901,208	0	0	901,208
Minimum Payment											
Minimum \$											
Gross Rental Value Valuations											
Rural	560.00	1	7,540	560	0	0	560	560	0	0	560
Residential	560.00	19	170,419	10,640	0	0	10,640	10,640	0	0	10,640
Special Rural	560.00	9	57,000	5,040	0	0	5,040	5,040	0	0	5,040
Industrial	560.00	5	36,530	2,800	0	0	2,800	2,800	0	0	2,800
Unimproved Value Valuations											
Rural	560.00	96	6,969,000	53,760	0	0	53,760	53,760	0	0	53,760
Mining Tenements	560.00	1	513	1,120	0	0	1,120	1,120	0	0	1,120
Industrial	560.00	2	175,000	1,120	0	0	1,120	1,120	0	0	1,120
Sub-Totals		133	7,416,002	75,040	0	0	75,040	75,040	0	0	75,040
Discounts/Concessions (refer note 25)											
Total Amount Raised From General Rate											
Ex-gratia Rates											
Specified Area Rate (refer note 23)											
Totals											
											976,248
											(38,500)
											937,748
											5,824
											0
											943,572

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

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit)	2015	2015	2014
Brought Forward	(30 June 2015 Carried Forward) \$	(1 July 2014 Brought Forward) \$	(30 June 2014 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u><u>1,824,946</u></u>	<u><u>572,686</u></u>	<u><u>572,686</u></u>
Comprises:			
Cash - Unrestricted	1,077,105	178,672	178,672
Cash - Restricted	1,960,124	927,015	927,015
Investments - Restricted	0	0	0
Rates - Current	48,879	33,713	33,713
Sundry Debtors	296,698	985,569	985,569
GST Receivable	0	0	0
Inventories	0	0	0
- Fuel and Materials	8,828	3,931	3,931
- History Books	0	0	0
Less:			
Reserves - Restricted Cash			
- Long Service Leave Reserve	(92,037)	(80,245)	(80,245)
- Plant Replacement Reserve	(290,177)	(284,306)	(284,306)
- Property Maintenance Reserve	(7,494)	(7,342)	(7,342)
- Office Equipment Reserve	(14,338)	(14,047)	(14,047)
- Road Construction Reserve	(446,772)	(439,284)	(439,284)
- Recreation Facilities Reserve	(20,225)	0	0
- Waste Site Development Reserve	(80,902)	0	0
Add:			
- Leave Entitlement Cash Backed	92,037	80,245	80,245
Sundry Creditors	(386,768)	(534,719)	(534,719)
Accrued Interest on Debentures	(1,407)	(2,315)	(2,315)
Accrued Salaries and Wages	(55,584)	(38,003)	(38,003)
Current Employee Benefits Provision	(263,020)	(236,197)	(236,197)
Surplus/(Deficit)	<u><u>1,824,946</u></u>	<u><u>572,686</u></u>	<u><u>572,686</u></u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2014 brought forward position used in the 2015 Audited Financial Report and the Surplus/(Deficit) carried forward position as disclosed in the 2014 Audited Financial Report.

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

23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Recreation Centre							
- Rate							
- Interim Rate							
- Back Rate							
				0	0	0	0

There were no specified area rates raised during the year.

24. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
		0	0	0	0

There were no service charges applied during the year.

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

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	5.00	35,026	38,500
Minimum Rate	Discount			
Photocopy Charge	Waiver			150
Rate Assessment	Write-Off		45	0

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

Photocopy Charges are waived for certain community groups such as the Highbury District Community Council and Volunteer Bush Fire Brigades. Council considers support of these groups necessary for the overall benefit of the community.

26 INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		6,361	3,500
Interest on Instalments Plan	5.00%		701	500
Charges on Instalment Plan		5	450	400
			7,513	4,400

Ratepayers had the option of paying rates in four equal instalments, due on 14th September 2015, 16th November 2015, 15th January 2016 and 15th March 2015. Administration charges and interest applied for the final three instalments.

27 FEES & CHARGES	2015 \$	2014 \$
Governance	0	0
General Purpose Funding	7,513	5,455
Law, Order, Public Safety	1,556	2,199
Health	2,144	3,276
Education and Welfare	0	0
Housing	19,600	19,600
Community Amenities	56,923	54,595
Recreation and Culture	0	0
Transport	2,137,899	3,033,393
Economic Services	8,757	9,895
Other Property and Services	80,924	88,075
	<u>2,315,314</u>	<u>3,216,488</u>

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

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

28 GRANT REVENUE

Grants, Subsidies and Contributions are included as Operating Revenues in the Statement of Comprehensive Income:

	2015	2014
	\$	\$
By Nature or Type:		
Operating Grants, Subsidies and Contributions	2,238,621	1,333,543
Non-Operating Grants, Subsidies and Contributions	2,540,561	869,714
	<u>4,779,182</u>	<u>2,203,257</u>
By Program:		
Governance	0	25,742
General Purpose Funding	1,509,403	478,453
Law, Order, Public Safety	21,195	16,738
Health	0	0
Education and Welfare	0	37,514
Housing	0	0
Community Amenities	0	0
Recreation and Culture	0	14,632
Transport	3,248,584	1,550,578
Economic Services	0	0
Other Property and Services	0	79,599
	<u>4,779,182</u>	<u>2,203,257</u>

29 EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>18</u>	<u>18</u>
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30 ELECTED MEMBERS REMUNERATION

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

	2015	2015	2014
	\$	Budget	\$
		\$	
Meeting Fees	11,655	11,500	8,712
President's Allowance	5,150	5,150	5,000
	<u>16,805</u>	<u>16,650</u>	<u>13,712</u>

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

31 MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2014/15 financial year.

32 TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

33. 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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalents	3,037,228	1,105,687	3,037,228	1,105,687
Receivables	345,577	1,019,282	345,577	1,019,282
	<u>3,382,805</u>	<u>2,124,969</u>	<u>3,382,805</u>	<u>2,124,969</u>
Financial Liabilities				
Payables	388,175	537,035	388,175	537,035
Borrowings	127,051	190,559	127,051	190,559
	<u>515,227</u>	<u>727,594</u>	<u>515,227</u>	<u>727,594</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 NARROGIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

33. 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.

	2015	2014
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	30,369	11,053
- Statement of Comprehensive Income	30,369	11,053
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	3,037	1,105
- Statement of Comprehensive Income	3,037	1,105

Notes:

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

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

33. 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:

	2015	2014
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	<u>100.00%</u>	<u>100.00%</u>
	100.00%	100.00%
Percentage of other receivables		
- Current	92.95%	98.08%
- Overdue	<u>7.05%</u>	<u>1.92%</u>

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

33. FINANCIAL RISK MANAGEMENT (Continued)
 (c) Payables
 Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2015</u>					
Payables	443,759	0	0	443,759	443,759
Borrowings	57,608	84,386	0	141,994	141,994
	<u>501,367</u>	<u>84,386</u>	<u>0</u>	<u>585,753</u>	<u>585,753</u>
<u>2014</u>					
Payables	575,037	0	0	575,037	575,037
Borrowings	75,430	141,993	0	217,423	217,423
	<u>650,467</u>	<u>141,993</u>	<u>0</u>	<u>792,460</u>	<u>792,460</u>

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2015</u>								
Borrowings								
Fixed Rate Debentures	57,608	47,331	37,055	0			141,993	6.49%
Weighted Average Effective Interest Rate	6.41%	6.41%	6.65%	0.00%	0.00%	0.00%		
<u>Year Ended 30 June 2014</u>								
Borrowings								
Fixed Rate Debentures	75,430	57,608	47,331	37,055			217,423	6.47%
Weighted Average Effective Interest Rate	6.41%	6.41%	6.41%	6.65%				

INDEPENDENT AUDITOR'S REPORT TO THE SHIRE OF NARROGIN

Report on the Financial Report

We have audited the accompanying financial report of Shire of Narrogin, which comprises the statement of financial position as at 30 June 2015 and the statement 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 Shire of Narrogin is in accordance with the underlying records of the Council, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2015 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 59 of the financial report "Supplementary Ratio Information", which describes certain ratio information relating to the financial report. Management's calculation of the asset consumption ratio and asset renewal funding ratio does not form part of the audited financial report. As a result, we do not express an opinion on management's calculation of these ratios.

Other matters

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) 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: 15 October 2015

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

RATIO INFORMATION

The following information relates to these 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.

	2015	2014	2013
Asset Consumption Ratio	0.82	0.82	0.81
Asset Renewal Funding Ratio	N/A	1.12	1.23

This ratio could not be calculated due to a lack of accurate information as a result of the future merger of the Shire of Narrogin and the Town of Narrogin.

The above ratios are calculated as follows:

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

N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for 2012 have not been reported as financial information is not available.