

Shire of Wandering

Audit Committee Meeting 29 September 2016

NOTICE OF MEETING

Dear Elected Member

The Audit Committee Meeting of the Shire of Wandering will be held on Thursday 29 September 2016 in the Council Chambers, 22 Watts Street, Wandering commencing at 4.00pm.

Amanda O'Halloran
Chief Executive Officer
23 September 2016

Agenda

Table of Contents

1. DECLARATION OF OPENING.....	3
2. RECORD OF ATTENDANCE.....	3
3. ANNOUNCEMENT OF VISITORS	3
4. DECLARATION BY MEMBERS.....	3
5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	3
6. TERMS OF REFERENCE	4
7. AGENDA ITEMS	4
7.1REVIEW OF 2015/16 INDEPENDENT AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS	4
7. NEXT MEETING.....	6
8. CLOSURE OF MEETING	6

Audit Committee Meeting

Agenda

1. DECLARATION OF OPENING

2. RECORD OF ATTENDANCE

2.1 Present:

Cr B Whitely	President
Cr B Dowsett	Deputy President
Cr W Gowland	
Cr J Price	
Cr C Ferguson	
Cr G Parsons	
Cr M Watts	

Staff:

Ms A O'Halloran	Chief Executive Officer
Mr D Ojha	Manager Administration & Finance

2.2 Apologies

Cr C Ferguson

2.3 Approved Leave of Absence

Nil

3. ANNOUNCEMENT OF VISITORS

Mr Marius Van Der Merwe, Audit Director, Butler Settineri will be presenting and available for questions

4. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

ATTACHMENT 5.1

6. TERMS OF REFERENCE

Under the Local Government Act 1995 (LGA), Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government - as to the carrying out of its functions in relation to audits conducted under Part 7 of the LGA and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management (clause 16 Local Government (Audit) regulations 1996).

Meeting cycle: At least once a year to recommend adoption of the Annual Financial Statements and Report.

7. AGENDA ITEMS

7.1 REVIEW OF 2015/16 INDEPENDENT AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS

File Reference:	10.1.6
Applicant:	N/A
Disclosure of Interest:	Nil
Date:	22 September 2016
Previous Meeting Reference:	N/A
Author Name and Position:	Durga Ojha Manager Administration and Finance

Summary

The Auditor's Report and Audited Financial Statements of the Shire of Wandering for the financial year ended 30 June 2016 have been received by the shire on the 23rd of September 2016.

After receiving the auditor reports, the audit committee is to examine the report of the auditor and determine if any matters raised by the report require action to be taken and ensure appropriate action is taken in future.

Background

The Shire's Auditors Butler Settineri have audited the 2015/16 Annual Financial Statements and have provided an Independent Auditor's Report as required under the relevant provisions of the *Local Government Act 1995* (LGA). The Auditor's Report and Annual Financial Statements are now presented to the audit committee for their information.

ATTACHMENT 7.1.1

Comment

The Shire of Wandering's Audit Report as presented was unqualified, meaning there were no matters of significance raised by the Auditor and 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).

The independent Audit Report highlighted the two unfavourable financial ratios and offers the following comments regarding the Shire's financial position;

Audit Report	Officer Response
<p><u>Current Ratio 0.9 :</u> Current ratios do not meet the Department of Local Government Indicative Benchmark ≥ 1</p>	<p>Current ratios measure the short term liquidity to meet the Shire liabilities when they fall due. Council's management are well aware that the current ratios do not meet the Department of Local Government indicative benchmark, however Council has budgeted to sell the 7 Gnowing St house for \$200,000, to maintain the liquidity in this financial year and this is expected to improve the current ratios.</p>
<p><u>Operating Surplus ratios -46%:</u> Operating Surplus ratios do not meet the Department of Local Government Indicative Benchmark.</p>	<p>Operating surplus ratios measure a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. The Department of Local Government benchmark is between 1% and 15%. If the 7 Gnowing St house was sold by the Council for \$200,000 in FY 2015/16, the ratios would be improved. Similarly, the Council's Senior Management will be working to meet the above Department of Local Government Benchmark by selling the Gnowing St house and sourcing the additional income activities.</p>

Despite the above Auditor's comments, Council's management and internal control systems are sound. In addition to being monitored internally on a daily and monthly basis, they are also strengthened by an independent assessment each year on the Shire's financial management systems and external audit reporting. The independent assessment reviews Council's financial position, financial management practices and compliance with the requirements of the Local Government Act, the Local Government (Financial Management) Regulations, and Accounting Standards.

Consultation

Chief Executive Officer

Statutory Environment.

Local Government Act 1995 Section 7.12(A).

Local Government Audit Regulations 1996 Regulation 16

Local Government Financial Management Regulations 1996

AGENDA FOR THE AUDIT COMMITTEE MEETING TO BE HELD 29 SEPTEMBER 2016

Policy Implications

Nil

Financial Implications

Implementing the recommendations of the Report will have a financial impact that will be processed through normal budgetary processes.

Strategic Implications

Community Strategic Plan 2013-2023

Goal 5 – A strong and Effective Organisation

Outcome 5.2: Accountable decision making and resource allocation through effective governance.

Strategy 5.2.1: Ensure Council's decision making process is effective and transparent

Strategy 5.2.2: Ensure the organisation's governance structure, policies and procedures are current and relevant

Voting Requirements

Simple Majority

Officer Recommendation

That the Audit Committee recommends Council accept the 2015/16 Shire of Wandering Annual Financial Reports including the Independent Audit Reports.

7. NEXT MEETING

The next Audit and Risk Committee Meeting will be held at a time to be determined.

8. CLOSURE OF MEETING



Shire of Wandering

Audit Committee Meeting 17 December 2015

**Minutes
1.00 pm**

Table of Contents

1. DECLARATION OF OPENING	3
2. RECORD OF ATTENDANCE.....	3
3. ANNOUNCEMENT OF VISITORS	3
4. DECLARATION BY MEMBERS.....	3
5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	3
6. REPORTS OF OFFICERS	4
6.1.1 RECOMMENDATION OF AUDITOR.....	4
7. NEXT MEETING	6
8. CLOSURE OF MEETING	6

Audit Committee Meeting

Agenda

1. DECLARATION OF OPENING

The Shire President, Cr B Whitely declared the meeting open at 1.00 pm

2. RECORD OF ATTENDANCE

2.1 PRESENT

Cr B Whitely
Cr B Dowsett
Cr W Gowland
Cr J Price
Cr J McNeil
Cr C Ferguson
Cr K Stripe

President
Deputy President

Staff:

Ms A O'Halloran
Mr D Ojha
Mrs H Mark

Chief Executive Officer
Manager Administration & Finance
Admin Officer

2.2 Apologies

2.3 Approved Leave of Absence

Nil

3. ANNOUNCEMENT OF VISITORS

Nil

4. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Minute of the Audit Committee Meeting – 19 February 2015

COUNCIL DECISION – ITEM 5

MOVED: Cr Dowsett

SECONDED: Cr McNeil

CARRIED 7/0

6. REPORTS OF OFFICERS

6.1 MANAGER OF FINANCE & ADMINISTRATION REPORT

6.1.1 RECOMMENDATION OF AUDITOR

FILE REFERENCE: 10.1.6

PROPONENTS: Nil

DISCLOSURE OF INTEREST: Nil

DATE: 1 December 2015

PREVIOUSLY BEFORE COUNCIL: N/A

AUTHORS NAME & POSITION: Durga Ojha, Manager Finance & Administration

NATURE OF COUNCILS ROLE IN THE MATTER: Legislative

PURPOSE OF THE REPORT

In accordance with Local Government Act 1995, the Shire of Wandering audit committee recommends to the Council to appoint the auditor for maximum of 5 years term. The appointment of auditor will be presented for council consideration.

BACKGROUND

In accordance with the Local Government Act 1995, local governments are required to appoint an auditor at least once every five years. The Shire of Wandering's present auditor, Butler Settineri's contract has ended on 30 June 2015 which was previously appointed for three years, effective from 1 July 2012. Therefore, Council has to appoint a new auditor for a maximum of five years starting from 1 July 2015. Verbal requests for quotations were called on 11 November 2015 and were based on the scope of the audit being in accordance with the Local Government (Audit) Regulations.

COMMENT/ DETAILS

After conducting an extensive research around the neighbouring Shires the following auditors were chosen to ask for quotations. All three quotations have been received from each of the three auditors, Butler Settineri, AMD Chartered Accountants and Moore Stephens as attached the below.

MINUTES FOR THE AUDIT AND RISK COMMITTEE MEETING HELD 17 December 2015

Butler Settineri's quotation Attachment 2
 Moore Stephens's quotation Attachment 3
 AMD Chartered Accountants' quotation Attachment 4

Summary of quotations excluding disbursement & GST.

Assessment Criteria	AMD Chartered Accountants	Butler Settineri	Moore Stephens (Average)
Audit price per year 15/16	\$11,000	\$8,500	\$15,600
Audit price per year 16/17	\$11,500	\$8,925	\$15,600
Audit price per year 17/18	\$12,000	\$9,370	\$15,600
Audit price per year 18/19	\$12,500	\$9,840	\$15,600
Audit price per year 19/20	\$13,000	\$10,330	\$15,600
Total audit fees over five years	\$60,000	\$46,965	\$78,000

Value for money was used as a basis for assessment in order to recommend to council. Due to the small size of the Shire of Wandering, Butler Settineri's audit fees are significantly lower than compared to the other two auditors. In addition, Council is satisfied with the service of current auditor Butler Settineri.

CONSULTATION

Department of Local Government & Communities

STATUTORY/ LEGAL ENVIRONMENT

The following Local Government Act 1995 and Local Government (Audit) Regulations are applicable to appoint the auditor.

Local government Act 1995 S7.3

1. A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.
 * Absolute majority required.

2. The local government may appoint one or more persons as its auditor.

3. The local government's auditor is to be a person who is —
 (a) a registered company auditor; or
 (b) an approved auditor.

Local Government (Audit) Regulations

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

All audit costs are included in each year's budget for next five years

STRATEGIC IMPLICATIONS

Community Strategic Plan 2013-2023

Goal 5 – A strong and Effective Organisation

Outcome 5.2: Accountable decision making and resource allocation through effective governance.

Strategy 5.2.1: Ensure Council's decision making process is effective and transparent

Strategy 5.2.3: Ensure appropriate funds are available to implement current and future action plans

VOTING REQUIREMENT

Absolute Majority

OFFICER RECOMMENDATION

That Audit committee of the Council

1. Accept quotation from the Butler Settineri and recommend to Council to appoint Marius Van Der Merwe (Registered Company Auditor #404957) to be the auditor for the Shire of Wandering for next five years effective 1 July 2015 to 30 June 2020.

COUNCIL DECISION – ITEM 6.1.1

MOVED: Cr Price

SECONDED: Cr Dowsett

That Audit committee of the Council

Accept quotation from the Butler Settineri and recommend to Council to appoint Marius Van Der Merwe (Registered Company Auditor #404957) to be the auditor for the Shire of Wandering for next five years effective 1 July 2015 to 30 June 2020.

CARRIED 7/0

7. NEXT MEETING

The next Audit and Risk Committee Meeting will be held at a time to be determined.

8. CLOSURE OF MEETING

The Shire President declared the meeting closed at 1.05 pm

**These Minutes were confirmed at the Ordinary Council Meeting
on Thursday 29 September 2016.**

Signed:

Presiding Person at the meeting at which the minutes were confirmed

Date:

Attachment
7.1.1
&
5.1.1

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	53
Supplementary Ratio Information	55

Principal place of business:

22 Watts St
Wandering WA 6308

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 23 day of September 2016



Amanda O'Halloran
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	777,930	785,006	702,354
Operating grants, subsidies and contributions	30	552,950	396,186	931,393
Fees and charges	29	574,146	726,205	603,637
Interest earnings	2(a)	12,143	18,948	17,847
Other revenue	2(a)	123,383	75,904	131,776
		<u>2,040,552</u>	<u>2,002,249</u>	<u>2,387,007</u>
Expenses				
Employee costs		(731,123)	(767,840)	(724,023)
Materials and contracts		(941,913)	(1,101,001)	(739,287)
Utility charges		(56,276)	(63,159)	(64,988)
Depreciation on non-current assets	2(a)	(849,519)	(779,778)	(775,163)
Interest expenses	2(a)	(6,847)	(8,391)	(2,613)
Insurance expenses		(103,393)	(99,838)	(108,003)
Other expenditure		(4,208)	0	(95,192)
		<u>(2,693,279)</u>	<u>(2,820,007)</u>	<u>(2,509,269)</u>
		<u>(652,727)</u>	<u>(817,758)</u>	<u>(122,262)</u>
Non-operating grants, subsidies and contributions	30	1,199,960	1,197,560	941,547
Profit on asset disposals	21	41	148,009	0
(Loss) on asset disposals	21	(38,126)	(926)	(67,818)
Fair value adjustments to financial assets at				
(Loss) on revaluation of land and buildings	6(b)	0	0	(75,514)
Net result		<u>509,148</u>	<u>526,885</u>	<u>675,953</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	39,119,989	0	1,554,160
Total other comprehensive income		<u>39,119,989</u>	<u>0</u>	<u>1,554,160</u>
Total comprehensive income		<u><u>39,629,137</u></u>	<u><u>526,885</u></u>	<u><u>2,230,113</u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		444	0	0
General purpose funding		1,025,767	1,051,213	1,482,018
Law, order, public safety		50,243	24,906	30,475
Health		239	1,000	0
Education and welfare		0	0	0
Housing		34,216	38,436	22,755
Community amenities		43,960	68,800	22,539
Recreation and culture		18,214	8,750	2,445
Transport		2,826	1,743	45,543
Economic services		757,387	701,373	652,161
Other property and services		107,256	106,028	129,372
		<u>2,040,552</u>	<u>2,002,249</u>	<u>2,387,308</u>
Expenses	2(a)			
Governance		(109,139)	(109,810)	(101,184)
General purpose funding		(59,731)	(69,839)	(59,123)
Law, order, public safety		(121,768)	(79,333)	(83,084)
Health		(29,172)	(29,462)	(25,229)
Education and welfare		(7,465)	(8,950)	(3,472)
Housing		(48,822)	(19,239)	(40,511)
Community amenities		(159,966)	(253,344)	(130,390)
Recreation and culture		(187,519)	(177,056)	(140,831)
Transport		(1,124,780)	(1,069,510)	(1,154,646)
Economic services		(740,297)	(802,749)	(774,001)
Other property and services		(97,773)	(192,324)	5,514
		<u>(2,686,432)</u>	<u>(2,811,616)</u>	<u>(2,506,957)</u>
Finance costs	2(a)			
Housing		(6,847)	(8,391)	(2,613)
		<u>(6,847)</u>	<u>(8,391)</u>	<u>(2,613)</u>
		<u>(652,727)</u>	<u>(817,758)</u>	<u>(122,262)</u>
Non-operating grants, subsidies and contributions	30	1,199,960	1,197,560	941,547
Profit on disposal of assets	21	41	148,009	0
(Loss) on disposal of assets	21	(38,126)	(926)	(67,818)
Fair value adjustments to financial assets at (Loss) on revaluation of land and buildings	6(b)	0	0	(75,514)
Net result		<u>509,148</u>	<u>526,885</u>	<u>675,953</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	39,119,989	0	1,554,160
Total other comprehensive income		<u>39,119,989</u>	<u>0</u>	<u>1,554,160</u>
Total comprehensive income		<u><u>39,629,137</u></u>	<u><u>526,885</u></u>	<u><u>2,230,113</u></u>

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

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

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	382,142	755,750
Trade and other receivables	4	204,045	211,497
Inventories	5	42,420	38,467
TOTAL CURRENT ASSETS		628,607	1,005,714
NON-CURRENT ASSETS			
Inventories	5	485,000	485,000
Property, plant and equipment	6	6,625,480	7,068,822
Infrastructure	7	52,959,643	12,774,667
TOTAL NON-CURRENT ASSETS		60,070,123	20,328,489
TOTAL ASSETS		60,698,730	21,334,203
CURRENT LIABILITIES			
Trade and other payables	8	156,145	380,429
Current portion of long term borrowings	9	68,247	69,950
Provisions	10	116,737	109,123
TOTAL CURRENT LIABILITIES		341,129	559,502
NON-CURRENT LIABILITIES			
Long term borrowings	9	215,174	261,031
Provisions	10	15,309	15,688
TOTAL NON-CURRENT LIABILITIES		230,483	276,719
TOTAL LIABILITIES		571,612	836,221
NET ASSETS		60,127,119	20,497,982
EQUITY			
Retained surplus		17,505,732	16,981,279
Reserves - cash backed	12	346,465	361,770
Revaluation surplus	13	42,274,922	3,154,933
TOTAL EQUITY		60,127,119	20,497,982

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		16,310,729	353,924	1,600,773	18,265,426
Comprehensive income					
Net result		675,953	0	0	675,953
Prior year adjustment error		2,442			2,442
Changes on revaluation of assets	13	0	0	1,554,160	1,554,160
Total comprehensive income		678,395	0	1,554,160	2,232,555
Transfers from/(to) reserves		(7,846)	7,846	0	0
Balance as at 30 June 2015		16,981,279	361,770	3,154,933	20,497,982
Comprehensive income					
Net result		509,148	0	0	509,148
Changes on revaluation of assets	13	0	0	39,119,989	39,119,989
Total comprehensive income		509,148	0	39,119,989	39,629,137
Transfers from/(to) reserves		15,305	(15,305)	0	0
Balance as at 30 June 2016		17,505,732	346,465	42,274,922	60,127,119

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		773,399	765,006	712,651
Operating grants, subsidies and contributions		530,878	411,186	923,602
Fees and charges		574,146	726,205	603,637
Interest earnings		12,143	18,948	17,847
Goods and services tax		0	104,000	(20,227)
Other revenue		123,383	75,904	131,776
		<u>2,013,949</u>	<u>2,101,249</u>	<u>2,369,286</u>
Payments				
Employee costs		(762,830)	(767,839)	(683,941)
Materials and contracts		(1,131,208)	(1,003,392)	(709,885)
Utility charges		(56,276)	(63,159)	(64,988)
Interest expenses		(6,847)	(8,391)	(2,613)
Insurance expenses		(103,393)	(99,838)	(108,003)
Goods and services tax		32,805	(104,000)	(700)
Other expenditure		(4,208)	0	(95,192)
		<u>(2,031,957)</u>	<u>(2,046,619)</u>	<u>(1,665,322)</u>
Net cash provided by (used in) operating activities	14(b)	<u>(18,008)</u>	<u>54,630</u>	<u>703,964</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(173,422)	(291,700)	(687,586)
Payments for construction of infrastructure		(1,385,362)	(1,318,235)	(1,312,067)
Non-operating grants, subsidies and contributions		1,199,960	1,197,580	941,547
Proceeds from sale of fixed assets		49,534	268,000	0
Net cash provided by (used in) investment activities		<u>(309,290)</u>	<u>(146,375)</u>	<u>(1,058,106)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(47,560)	(72,519)	(19,019)
Proceeds from self supporting loans		1,250	1,250	2,500
Proceeds from new debentures		0	0	350,000
Net cash provided by (used in) financing activities		<u>(46,310)</u>	<u>(71,269)</u>	<u>333,481</u>
Net increase (decrease) in cash held		<u>(373,608)</u>	<u>(163,014)</u>	<u>(20,661)</u>
Cash at beginning of year		755,750	765,290	776,411
Cash and cash equivalents at the end of the year	14(a)	<u><u>382,142</u></u>	<u><u>602,276</u></u>	<u><u>755,750</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>211,284</u> 211,284	<u>234,500</u> 234,500	<u>281,090</u> 281,090
Revenue from operating activities (excluding rates)				
Governance		444	0	0
General purpose funding		250,167	266,207	779,664
Law, order, public safety		50,243	24,906	30,475
Health		239	1,000	0
Education and welfare		0	0	0
Housing		34,216	183,615	22,755
Community amenities		43,960	68,800	22,539
Recreation and culture		18,214	8,750	2,445
Transport		2,867	1,743	45,543
Economic services		757,387	701,373	652,161
Other property and services		107,256	108,858	129,372
		<u>1,264,993</u>	<u>1,365,252</u>	<u>1,684,954</u>
Expenditure from operating activities				
Governance		(109,139)	(109,810)	(101,184)
General purpose funding		(59,731)	(69,839)	(59,123)
Law, order, public safety		(121,768)	(79,333)	(150,902)
Health		(29,172)	(29,462)	(25,229)
Education and welfare		(7,465)	(8,950)	(3,472)
Housing		(55,669)	(27,630)	(43,124)
Community amenities		(159,966)	(253,344)	(130,390)
Recreation and culture		(187,519)	(177,056)	(140,831)
Transport		(1,144,444)	(1,069,510)	(1,154,646)
Economic services		(740,297)	(802,749)	(774,001)
Other property and services		(135,899)	(193,250)	5,514
		<u>(2,751,069)</u>	<u>(2,820,933)</u>	<u>(2,577,388)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(41)	(148,009)	0
Loss on disposal of assets	21	38,126	926	67,818
Movement in employee benefit provisions (non-current)		(379)	0	8,204
Depreciation and amortisation on assets	2(a)	849,519	779,778	775,163
Amount attributable to operating activities		<u>(387,567)</u>	<u>(588,486)</u>	<u>239,841</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,199,960	1,197,560	941,547
Proceeds from disposal of assets	21	49,534	266,000	0
Purchase of property, plant and equipment	6(b)	(173,421)	(291,700)	(687,586)
Purchase and construction of infrastructure	7(b)	(1,385,362)	(1,318,235)	(1,312,067)
Amount attributable to investing activities		<u>(309,289)</u>	<u>(146,375)</u>	<u>(1,058,106)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(47,560)	(72,519)	(19,019)
	22(a)	0	0	350,000
Proceeds from self supporting loans		1,250	1,250	2,500
Transfers to reserves (restricted assets)	12	(4,695)	(8,150)	(7,846)
Transfers from reserves (restricted assets)	12	20,000	20,000	0
Amount attributable to financing activities		<u>(31,005)</u>	<u>(59,419)</u>	<u>325,635</u>
Surplus(deficiency) before general rates		<u>(727,861)</u>	<u>(794,280)</u>	<u>(492,630)</u>
Total amount raised from general rates	23	<u>775,600</u>	<u>785,006</u>	<u>702,354</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>47,739</u></u>	<u><u>(9,273)</u></u>	<u><u>209,724</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

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

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

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

Capitalisation threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	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. It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

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

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

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expense and revenue		
There were no significant expenses incurred during the financial year 2015/16		
Auditors remuneration		
- Audit of the Annual Financial Report	7,047	11,214
Financial Management Review	5,462	0
Audit for Grants Acquittals	1,500	3,439
Assistance with the finalisation of the annual financial report	0	3,927
Depreciation		
Buildings - non-specialised	54,196	0
Buildings - specialised	61,114	84,617
Furniture and equipment	30,833	29,623
Plant and equipment	172,184	177,373
Infrastructure - Roads & Bridges	482,978	463,429
Infrastructure - Footpaths	4,632	3,718
Infrastructure - Recreation	22,619	15,073
Infrastructure - other	20,963	1,330
	<u>849,519</u>	<u>775,163</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	6,847	2,613
	<u>6,847</u>	<u>2,613</u>
Rental charges		
- Operating leases	0	0
	<u>0</u>	<u>0</u>
(ii) Crediting as revenue:		
Significant revenue		
General Purpose funding	244,439	1,481,330
Early payment of Federal Assistance Grants		
Other revenue		
Reimbursements and recoveries	123,383	131,776
	<u>123,383</u>	<u>131,776</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	4,694	6,861
- Other funds	2,562	5,507
Other interest revenue (refer note 28)	4,887	5,303
	<u>12,143</u>	<u>17,847</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

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

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

GOVERNANCE

Objective:

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

Activities:

Includes 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:

Animal control, bushfire control and public safety

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:

Provision and maintenance of home and community care programs and youth services.

HOUSING

Objective:

To provide and maintain a high quality of housing for staff and prospective residents

Activities:

Provision and maintenance of staff and other housing.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots 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 WANDERING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

	Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
	Dept of Agriculture - Feral Pig Eradication	Community Amenities	19,160	0	(13,957)	5,203	0	(5,203)	0
	Grants Commission Special Projects	Transport	174,378	0	(53,688)	120,690	0	(120,690)	0
	SGIO	Law, Order, Public Safety	4,545	0	(4,545)	0	0	(0)	0
	Wheatbelt Development Commission	General Purpose Funding	18,248	0	0	18,248	0	(18,248)	0
	Department of Regional Development & Lands	Economic Services	8,681	0	(8,681)	(0)	0	0	0
	2011/12 CLGF - Individual	General Purpose Funding	18,817	0	(18,817)	0	0	0	0
	2011/12 CLGF - Regional	General Purpose Funding	157,886	0	(155,012)	2,874	0	(2,874)	0
	2012/13 CLGF - Individual	General Purpose Funding	151,457	0	(76,457)	75,000	0	(75,000)	0
	Wheatbelt Development Commission Grants	Education & Welfare	0	53,000	0	53,000	0	(45,907)	7,093
Total			553,172	53,000	(331,157)	275,015	0	(267,922)	7,093

Notes:

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

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

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		28,584	118,964
Restricted		353,558	636,786
		<u>382,142</u>	<u>755,750</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Office Equipment Reserve	12	34,298	33,854
Plant Replacemnt Reserve	12	268,302	264,827
Land & Building reserve	12	5,386	5,316
Leave Reserve	12	38,479	57,773
Unspent grants	2(c)	7,093	275,015
		<u>353,558</u>	<u>636,785</u>
		2016 \$	2015 \$
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		20,627	16,096
Sundry debtors		161,761	131,670
GST receivable		20,407	53,212
Loans receivable - clubs/institutions		1,250	2,500
Accured Income		0	8,019
		<u>204,045</u>	<u>211,497</u>
Non-current			
Rates outstanding - pensioners		0	0
Loans receivable - clubs/institutions		0	0
		<u>0</u>	<u>0</u>
5. INVENTORIES			
Current			
Fuel and materials		38,750	34,797
History books		3,670	3,670
Land held for resale - cost			
Cost of acquisition		0	0
Development costs		0	0
		<u>42,420</u>	<u>38,467</u>
Non-current			
Land held for resale - cost			
Cost of acquisition		485,000	560,514
Development costs		0	0
Fair value adjustment		0	(75,514)
		<u>485,000</u>	<u>485,000</u>

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

	2016 \$	2015 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2015 - level 2	688,000	688,000
- Independent valuation 2016 - level 2	0	0
- Management valuation 2016 - level 2	0	0
- Additions after valuation - cost	0	0
	<u>688,000</u>	<u>688,000</u>
Buildings - non-specialised at:		
- Independent valuation 2015 - level 2	1,938,000	1,938,000
- Independent valuation 2016 - level 2	0	0
- Management valuation 2016 - level 2	0	0
- Additions after valuation - cost	7,443	0
Less: accumulated depreciation	<u>(54,196)</u>	<u>0</u>
	1,891,247	1,938,000
Buildings - specialised at:		
- Independent valuation 2015 - level 3	2,124,050	2,124,050
- Independent valuation 2016 - level 3	0	0
- Management valuation 2016 - level 3	0	0
- Additions after valuation - cost	49,211	0
Less: accumulated depreciation	<u>(61,114)</u>	<u>0</u>
	2,112,147	2,124,050
	<u>4,003,394</u>	<u>4,062,050</u>
Total land and buildings	<u>4,691,394</u>	<u>4,750,050</u>
Furniture and equipment at:		
- Management valuation 2014 - level 2	0	121,983
- Independent valuation 2016 - level 2	0	0
- Management valuation 2016 - level 2	63,869	0
- Additions after valuation - cost	0	17,763
Less accumulated depreciation	<u>0</u>	<u>(28,566)</u>
	63,869	111,180
Plant and equipment at:		
- Management valuation 2013 - level 2	0	2,154,694
- Independent valuation 2016 - level 2	0	0
- Management valuation 2016 - level 2	1,867,907	0
- Additions after valuation - cost	2,310	345,953
Less accumulated depreciation	<u>0</u>	<u>(293,055)</u>
	1,870,217	2,207,592
	<u>6,625,480</u>	<u>7,068,822</u>

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

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	688,000	0	0	0	0	0	0	0	688,000
Total land	688,000	0	0	0	0	0	0	0	688,000
Buildings - non-specialised	1,938,000	7,443	0	0	0	0	(54,196)	0	1,891,247
Buildings - specialised	2,124,050	49,210	0	0	0	0	(61,114)	0	2,112,146
Total buildings	4,062,050	56,653	0	0	0	0	(115,310)	0	4,003,393
Total land and buildings	4,750,050	56,653	0	0	0	0	(115,310)	0	4,691,393
Furniture and equipment	111,180	10,575	(27,053)	0	0	0	(30,833)	0	63,869
Plant and equipment	2,207,592	106,193	(60,566)	(210,817)	0	0	(172,184)	0	1,870,218
Total property, plant and equipment	7,068,822	173,421	(87,619)	(210,817)	0	0	(318,327)	0	6,625,479

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	Level 2	Independent Valuation	Current Market Price	June 2015	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly
Buildings - non-specialised	Level 2	Independent Valuation	Current Market Price	June 2015	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly
Buildings - specialised	Level 3	Independent Valuation	Replacement Cost	June 2015	Unobservable inputs for assets or liabilities
Furniture and equipment		Management Valuation	Current Market Price	June 2015	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly
Plant and equipment		Independent Management Valuation	Current Market Price	June 2016	Inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly

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

	2016 \$	2015 \$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads & Bridges		
- Independent valuation 2015 - level 3	0	0
- Management valuation 2015 - level 3	0	0
- Management valuation 2016 - level 3	50,705,909	0
- cost	0	23,092,057
- Additions after valuation- Cost	0	862,224
Less accumulated depreciation	0	(13,188,623)
	<u>50,705,909</u>	<u>10,765,658</u>
Infrastructure - Footpaths		
- Independent valuation 2015 - level 3	0	0
- Management valuation 2015 - level 3	0	0
- Management valuation 2016 - level 3	121,755	0
- Cost	0	192,616
- Additions after valuation- Cost	0	0
Less accumulated depreciation	0	(42,507)
	<u>121,755</u>	<u>150,109</u>
Infrastructure - Drainage		
- Independent valuation 2015 - level 3	0	0
- Management valuation 2015 - level 3	0	0
- Management valuation 2016 - level 3	303,853	0
- Additions after valuation - cost	0	0
- Cost	0	0
Less accumulated depreciation	0	0
	<u>303,853</u>	<u>0</u>
Infrastructure - Recreation		
- Independent valuation 2015 - level 3	1,326,500	1,326,500
- Management valuation 2015 - level 3	0	0
- Management valuation 2016 - level 3	0	0
- Additions after valuation - cost	0	0
- Cost	0	0
Less accumulated depreciation	(22,619)	0
	<u>1,303,881</u>	<u>1,326,500</u>
Infrastructure - other		
- Independent valuation 2015 - level 3	532,400	532,400
- Management valuation 2015 - level 3	0	0
- Management valuation 2016 - level 3	0	0
- Additions after valuation - cost	12,808	0
- User defined	0	0
Less accumulated depreciation	(20,963)	0
	<u>524,245</u>	<u>532,400</u>
	<u>52,959,643</u>	<u>12,774,667</u>

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

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

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads & Bridges	10,765,658	1,339,456	0	39,083,773	0	0	(482,978)	0	50,705,909
Infrastructure - Footpaths	150,109	33,098	0	(56,820)	0	0	(4,632)	0	121,755
Infrastructure - Drainage	0	0	0	303,853	0	0	0	0	303,853
Infrastructure - Recreation	1,326,500	0	0	0	0	0	(22,619)	0	1,303,881
Infrastructure - other	532,400	12,808	0	0	0	0	(20,963)	0	524,245
Total infrastructure	12,774,667	1,385,362	0	39,330,806	0	0	(531,192)	0	52,959,643

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads & Bridges	Level 3	Independent Management Valuation	Replacement Cost	June 2016	Unobservable inputs for assets or liabilities
Infrastructure - Footpaths	Level 3	Independent Management Valuation	Replacement Cost	June 2016	Unobservable inputs for assets or liabilities
Infrastructure - Drainage	Level 3	Independent Management Valuation	Replacement Cost	June 2016	Unobservable inputs for assets or liabilities
Infrastructure - Recreation	Level 3	Independent Valuation	Replacement Cost	June 2015	Unobservable inputs for assets or liabilities
Infrastructure - other	Level 3	Independent Valuation	Replacement Cost	June 2015	Unobservable inputs for assets or liabilities

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

	2016 \$	2015 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	85,829	252,301
Accrued salaries and wages	0	16,757
ATO liabilities	48,073	70,259
Accrued Expenses	22,243	42,672
Trust Imbalance	0	(1,560)
	<u>156,145</u>	<u>380,429</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>68,247</u>	<u>69,950</u>
	<u>68,247</u>	<u>69,950</u>
Non-current		
Secured by floating charge		
Debentures	<u>215,174</u>	<u>261,031</u>
	<u>215,174</u>	<u>261,031</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	31,531	77,592	109,123
Non-current provisions	0	15,688	15,688
	<u>31,531</u>	<u>93,280</u>	<u>124,811</u>
Additional provision	12,868	(5,633)	7,235
Balance at 30 June 2016	<u>44,399</u>	<u>87,647</u>	<u>132,046</u>
Comprises			
Current	44,399	72,338	116,737
Non-current	0	15,309	15,309
	<u>44,399</u>	<u>87,647</u>	<u>132,046</u>

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

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Office Equipment Reserve	33,854	444	0	34,298	33,854	800	0	34,654	33,120	734	0	33,854
Plant Replacemnt Reserve	264,827	3,475	0	268,302	264,828	6,000	0	270,828	259,083	5,744	0	264,827
Land & Building reserve	5,316	70	0	5,386	5,316	150	0	5,466	5,201	115	0	5,316
Leave Reserve	57,773	706	(20,000)	38,479	57,773	1,200	(20,000)	38,973	56,520	1,253	0	57,773
	361,770	4,695	(20,000)	346,465	351,771	8,150	(20,000)	348,921	353,924	7,846	0	361,770

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

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

12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Office Equipment Reserve	30/06/2020	In order to replace Office Equipment
Plant Replacemnt Reserve	30/06/2018	In order to purchase plant & equipment
Land & Building reserve	30/06/2025	In order to replace land & building
Leave Reserve	On going	In order to pay long service and annual leave entitlements

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

13. REVALUATION SURPLUS

	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation Decrement \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$	2015 Opening Balance \$	2015 Revaluation Increment \$	2015 Revaluation Decrement \$	2015 Total Movement on Revaluation \$	2015 Closing Balance \$
Assets Revaluation Reserve	1,600,773	0	0	0	1,600,773	1,600,773	0	0	0	1,600,773
Furniture and equipment	0	0	0	0	0	0	0	0	0	0
Plant and equipment	0	0	0	0	0	0	0	0	0	0
Land	(287,434)	0	(210,817)	(210,817)	(210,817)	0	0	0	0	0
Building Level 2	693,156	0	0	0	693,156	0	693,156	0	(287,434)	(287,434)
Building Level 3	760,977	0	0	0	760,977	0	760,977	0	693,156	693,156
Infrastructure - Roads & Bridges	0	39,083,773	0	39,083,773	39,083,773	0	0	0	760,977	760,977
Infrastructure - Footpaths	0	0	(56,820)	(56,820)	(56,820)	0	0	0	0	0
Infrastructure - Drainage	0	303,853	0	303,853	303,853	0	0	0	0	0
Infrastructure - Recreation	221,398	0	0	0	221,398	0	221,398	0	0	0
Infrastructure - other	166,063	0	0	0	166,063	0	166,063	0	221,398	221,398
	3,154,933	39,387,526	(267,637)	39,119,989	42,274,922	1,600,773	1,841,594	(287,434)	1,554,160	3,154,933

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016 \$	2016 Budget \$	2015 \$
Cash and cash equivalents	<u>382,142</u>	<u>602,276</u>	<u>755,750</u>

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

Net result	509,148	526,885	675,953
Non-cash flows in Net result:			
Depreciation	849,519	772,529	775,163
(Profit)/Loss on sale of asset	38,085	147,083	67,818
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	6,202	10,164	(18,602)
(Increase)/Decrease in inventories	(3,953)	55,467	91,713
Increase/(Decrease) in payables	(224,283)	(353,253)	30,707
Increase/(Decrease) in provisions	7,235	93,315	22,759
Grants contributions for the development of assets	<u>(1,199,980)</u>	<u>(1,197,560)</u>	<u>(941,547)</u>
Net cash from operating activities	<u>(18,008)</u>	<u>54,630</u>	<u>703,964</u>

	2016 \$	2015 \$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	200,000	0
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	0	0
Total amount of credit unused	<u>220,000</u>	<u>20,000</u>
Loan facilities		
Loan facilities - current	68,247	69,950
Loan facilities - non-current	215,174	261,031
Total facilities in use at balance date	<u>283,421</u>	<u>330,981</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

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

15. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2016

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

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

(b) Capital Expenditure Commitments

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

17. JOINT VENTURE ARRANGEMENTS

The Shire did not involve in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016 \$	2015 \$
Governance	0	492,358
General purpose funding	628,608	16,096
Law, order, public safety	569,885	517,155
Education and welfare	12,808	0
Housing	2,562,326	2,189,540
Community amenities	463,735	487,115
Recreation and culture	2,101,601	2,590,274
Transport	51,837,454	11,622,597
Economic services	663,481	658,862
Other property and services	1,858,832	2,769,746
Unallocated	0	(9,540)
	<u>60,698,730</u>	<u>21,334,203</u>

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

	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	0.90	0.73	0.30
Asset sustainability ratio	1.77	2.58	2.18
Debt service cover ratio	3.04	23.68	0.00
Operating surplus ratio	(0.46)	(0.18)	(0.30)
Own source revenue coverage ratio	0.55	0.57	(0.34)

The above ratios are calculated as follows:

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 55 of this document.

Two of the 2016 and 2015 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$244,439.

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

	2016	2015
Debt service cover ratio	7.54	12.65
Operating surplus ratio	(0.30)	(0.35)

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

20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Councillor Nomination Deposit	0	320	(320)	0
Cleaning Bonds	200	3,100	(1,500)	1,800
Town Planning Bonds	6,000	0	0	6,000
Fire Brigade Donations	3,340	0	0	3,340
Wine Award Bond	0	240	(240)	0
Declared Species Group	0	30,000	0	30,000
	<u>9,540</u>			<u>41,140</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Property, Plant and Equipment								
Housing								
7 Gnowing St House					54,821	200,000	145,179	0
Transport								
Toyota Hilux Dual Cab Ute (DC2)	16,641	16,682	41	0	20,170	23,000	2,830	0
Other property and services								
Holden Caprice 2014 OWD	43,925	32,852	0	(11,073)	43,926	43,000	0	(926)
Various Furniture & Equipmer	27,053	0	0	(27,053)	27,053	0	0	0
	<u>87,619</u>	<u>49,534</u>	<u>41</u>	<u>(38,126)</u>	<u>145,970</u>	<u>266,000</u>	<u>148,009</u>	<u>(926)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Dunmail Drive House	330,981	0	47,560	72,519	283,421	258,462	6,847	8,391
	330,981	0	47,560	72,519	283,421	258,462	6,847	8,391
Self Supporting Loans								
Recreation and culture								
	2,500	0	1,250	1,250	1,250	1,250	0	0
	2,500	0	1,250	1,250	1,250	1,250	0	0
	333,481	0	48,810	73,769	284,671	259,712	6,847	8,391

Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

22. INFORMATION ON BORROWINGS (Continued)

- (b) New Debentures - 2015/16
The Shire of Wandering did not have any new debentures as at 30 June 2016.
- (c) Unspent Debentures
The Shire of Wandering did not have any unspent debentures as at 30 June 2016.
- (d) Overdraft
The Shire of Wandering had an overdraft facility of \$200,000 as at 30/6/2016

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

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV- Residential	0.0790	41	468,104	36,980			36,980	36,980			36,980
GRV Special Use	0.0952	3	157,820	15,024			15,024	15,024			15,024
Unimproved value valuations											
UV - Rural Residential	0.0078	53	6,871,000	53,869			53,869	53,869			53,869
UV- Rural	0.0059	150	102,376,000	601,971			601,971	601,971			601,971
UV -Mining	0.0059	0	0	0			0	0			0
Sub-Total		247	109,872,924	707,844			707,844	707,844			707,844
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV- Residential	780	38	142,932	29,640			29,640	29,640			29,640
GRV Special Use	952	2	6,705	1,904			1,904	1,904			1,904
Unimproved value valuations											
UV - Rural Residential	952	50	5,137,000	47,600			47,600	47,600			47,600
UV- Rural	952	53	5,906,400	50,456			50,456	50,456			50,456
UV -Mining	952	6	170,186	5,712	(805)		4,907	5,712			5,712
Sub-Total		149		135,312	(805)		134,507	135,312			135,312
Discounts/concessions (refer note 27)		396	109,872,924	843,156	(805)		842,351	843,156			843,156
Total amount raised from general rate							(68,751)				(60,480)
Specified Area Rate (refer note 25)							775,600				782,676
Ex-gratia rates							0				0
Totals							777,930				785,006

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

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	47,739	209,724	209,724
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	28,584	118,964	118,964
Restricted	353,558	636,786	636,786
Receivables			
Rates outstanding	20,627	16,096	16,096
Sundry debtors	161,761	131,670	131,670
GST receivable	20,407	53,212	53,212
Loans receivable - clubs/institutions	1,250	2,500	2,500
Accrued Income	0	8,019	8,019
Inventories			
Fuel and materials	38,750	34,797	34,797
History books	3,670	3,670	3,670
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(85,829)	(252,301)	(252,301)
Accrued salaries and wages	0	(16,757)	(16,757)
ATO liabilities	(48,073)	(70,259)	(70,259)
Accrued Expenses	(22,243)	(42,672)	(42,672)
Trust Imbalance	0	1,560	0
Current portion of long term borrowings			
Debentures	(68,247)	(69,950)	(69,950)
Provisions			
Provision for annual leave	(44,399)	(31,531)	(31,531)
Provision for long service leave	(72,338)	(77,592)	(77,592)
Unadjusted net current assets	287,478	446,212	444,652
Adjustments			
Less: Reserves - restricted cash	(346,465)	(361,770)	(361,770)
Cash Variance from last year	0	(880)	(880)
Add: Secured by floating charge	68,247	69,950	69,950
Add: Cash backed leave provisions	38,479	57,773	57,773
Adjusted net current assets - surplus/(deficit)	47,739	211,284	209,724

Difference

There was difference of \$1,560 between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report. The difference has been corrected in the financial year 2015/16.

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

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

There were no specified area rates levied for the financial year

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

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

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Rates Discount	10.00%	66,751	60,480	10% discount was given on current rates when ratepayers paid a full amount of rates on or before the due date being the 24 August 2015.
		<u>66,751</u>	<u>60,480</u>	

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

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	24-Aug-15	0		11.00%
Option Two				
First Instalment	24-Aug-15	0	0.00%	11.00%
Second Instalment	27-Oct-15	10	5.50%	11.00%
Third Instalment	29-Dec-15	10	5.50%	11.00%
Fourth Instalment	01-Mar-16	10	5.50%	11.00%
			Budgeted	
			Revenue	Revenue
			\$	\$
Interest on unpaid rates			3,903	3,240
Interest on instalment plan			984	1,000
Charges on instalment plan			2,680	2,340
			<u>7,547</u>	<u>6,580</u>

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

	2016	2015
	\$	\$
29. FEES & CHARGES		
General purpose funding	900	3,530
Law, order, public safety	6,069	1,689
Health	239	0
Housing	33,045	22,755
Community amenities	42,068	22,538
Recreation and culture	2,237	1,695
Transport	2,867	1,743
Economic services	481,481	531,188
Other property and services	5,240	18,499
	<u>574,146</u>	<u>603,637</u>

Movie Screen Hire Fees for Community Group and Not for Profit Organisation has changed to \$50 per hire since the original budget been adopted.

30. GRANT REVENUE

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

	2016	2015
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
General purpose funding	233,034	758,287
Law, order, public safety	41,284	24,486
Recreation and culture	5,000	44,550
Economic services	273,632	104,070
	<u>552,950</u>	<u>931,393</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	333,563
Education and welfare	0	53,000
Recreation and culture	0	34,461
Transport	1,199,960	520,523
	<u>1,199,960</u>	<u>941,547</u>
	<u>1,752,910</u>	<u>1,872,940</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>13</u>	<u>15</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
President's allowance	4,000	4,000	4,000
	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

33. MAJOR LAND TRANSACTIONS

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	382,142	755,750	382,142	755,750
Receivables	204,045	211,497	204,045	211,497
	<u>586,187</u>	<u>967,247</u>	<u>586,187</u>	<u>967,247</u>
Financial liabilities				
Payables	156,145	380,429	156,145	380,429
Borrowings	283,421	330,981	283,421	330,981
	<u>439,566</u>	<u>711,410</u>	<u>439,566</u>	<u>711,410</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 WANDERING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

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

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	3,821	7,558
- Statement of Comprehensive Income	3,821	7,558

Notes:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	95%
- Overdue	100%	5%
Percentage of other receivables		
- Current	99%	98%
- Overdue	1%	2%

35. FINANCIAL RISK MANAGEMENT (Continued)

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:

Page 51

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
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Year ended 30 June 2016

Borrowings

Fixed rate								
Debentures	68247	69957	71710	73507	0	0	283421	
Weighted average								
Effective interest rate	2.49%	2.49%	2.49%	2.49%	2.49%	0.00%		

Year ended 30 June 2015

Borrowings

Fixed rate								
Debentures	69950	69950	69950	69950	51181		330981	
Weighted average								
Effective interest rate	2.49%	2.49%	2.49%	2.49%	2.49%	0.00%		

MVDM : MZN
SHIRE06

23 September 2016

Ms A. O'Halloran
Chief Executive Officer
Shire of Wandering
22 Watts Street
WANDERING WA 6308

Dear Amanda

SHIRE OF WANDERING

We wish to advise that we have recently completed the audit of the above mentioned Council for the year ended 30 June 2016.

The Australian Auditing and Assurance Standards Board encourages auditors to issue a management letter on completion of each audit as a means of advising the Council of any matters noted during the course of the audit.

Our audit involves the review of only those systems and controls adopted by the Council upon which we wish to rely for the purposes of determining our audit procedures. Furthermore, our audit should not be relied upon to disclose defalcations or other similar irregularities, although their disclosure, if they exist, may well result from the procedures we undertake. While we have considered the control environment in accordance with Australian Auditing Standards, we have not tested controls and hence do not comment on whether systems and controls are operating effectively.

We advise that we have not encountered any other matters during the course of our audit that we believe should be brought to your attention other than the following:

Segregation of duties

We appreciate that due to the nature and size of the entity, the management oversees all the functions within the entity, however there is an inherent risk of lack of segregation of duties within the general financial administrative process and we recommend that this should be continually considered by the management in designing compensating controls.

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

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	1.00	0.59	0.56
Asset renewal funding ratio	124%	112%	116%

The above ratios are calculated as follows:

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

Auditor's Opinion

In our opinion, the financial report of Shire of Wandering 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 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards, 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 60 of the financial report "ratio information", which describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios.

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

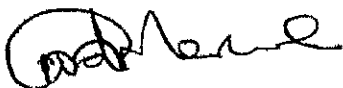
Reporting on Other Legal and Regulatory Requirements

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

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

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

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director
Perth
Date: 23 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHIRE OF WANDERING

Report on the Financial Report

We have audited the accompanying financial report of Shire of Wandering, which comprises the statement of financial position as at 30 June 2016 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, the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 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 entity'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 entity'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 qualified audit opinion.

Independence

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

We wish to thank the Shire of Wandering staff for their assistance during the audit.

Should you have any questions please do not hesitate to contact me.

Yours sincerely
BUTLER SETTINERI (AUDIT) PTY LTD

A handwritten signature in black ink, appearing to read 'Marius Van der Merwe', with a stylized, cursive script.

MARIUS VAN DER MERWE CA
Director