

# *Annual Report* 2015-2016

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# ELECTED MEMBERS

## NORTH EAST WARD



**Cr John Collingwood**  
(President)  
RMB 572  
Yetna WA 6532  
☎ (08) 9923 3224  
Term Expiry 2017



**Cr Anthony Farrell**  
(Deputy President)  
308 Wandana Road  
Yuna WA 6532  
☎ (08) 9931 1030  
Term Expiry 2019



**Cr Pauline Forrester**  
PMB 24  
Yuna WA 6532  
☎ (08) 9920 1063  
Term Expiry 2019



**Cr Trevor Royce**  
PO Box 866  
Geraldton WA 6531  
☎ (08) 9925 1026  
Term Expiry 2019



**Cr Kirrilee Warr**  
678 Nolba Stock Route Road  
via Geraldton WA 6532  
☎ (08) 9920 3066  
Term Expiry 2017

## SOUTH WEST WARD



**Cr Peter Humphrey**  
12 Wittenoom Circle  
White Peak WA 6532  
☎ (08) 9938 3430  
Term Expiry 2019

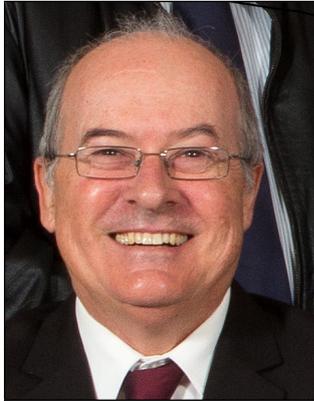


**Cr Veronica Wood**  
24 Pitchford Crest  
White Peak WA 6532  
☎ 0438 439 707  
Term Expiry 2017



**Cr Ian Maluish**  
311 Eliza Shaw Drive  
White Peak WA 6532  
☎ 0417 949 062  
Term Expiry 2017

# **COUNCIL EXECUTIVE STAFF**



**Maurice Battilana  
Chief Executive Officer**



**Simon Lancaster  
Deputy Chief Executive Officer**



**Esky Kelly  
Manager Works & Services**



**Di Raymond  
Manager Finance & Corporate Services**



**Anthony Abbott  
Building Surveyor / Projects Officer**



**Earl O'Donnell  
Senior Ranger**

# MINUTES OF PREVIOUS ELECTORS MEETING



Shire of  
**Chapman Valley**  
*Love the Rural Life*

## **UNCONFIRMED MINUTES**

**ANNUAL GENERAL MEETING OF ELECTORS  
TUESDAY 2<sup>ND</sup> FEBRUARY 2016  
COUNCIL CHAMBERS NABAWA  
6.00PM**

## DISCLAIMER



No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on

### **WRITTEN CONFIRMATION**

Of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

A handwritten signature in black ink, appearing to read 'M. Battilana', written over a light grey circular stamp.

Maurice Battilana  
**CHIEF EXECUTIVE OFFICER**

# UNCONFIRMED MINUTES

## FOR ANNUAL GENERAL MEETING OF ELECTORS TO BE HELD IN THE COUNCIL CHAMBERS NABAWA ON TUESDAY 2 FEBRUARY 2016 AT 6.00PM

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### Order of Business:

#### 1.0 Declaration of Opening / Announcements of Visitors

The Chairman, Cr Collingwood declared the meeting open at 6.03pm.

#### 2.0 Record of Attendance

##### 2.1 Present

###### a. Councillors

Member	Ward
Cr John Collingwood (President)	North East Ward
Cr Pauline Forrester	North East Ward
Cr Trevor Royce	North East Ward
Cr Kirrilee Warr	North East Ward
Cr Peter Humphrey	South West Ward
Cr Veronica Wood	South West Ward
Cr Ian Maluish	South West Ward

###### b. Staff

Officer	Position
Maurice Battilana	Chief Executive Officer
Simon Lancaster	Manager of Planning
Karen McKay	Executive Assistant (Minute Taker)
Dianne Raymond	Manager of Finance & Corporate Services
Kristy Williams	Accountant
Esky Kelly	Manager of Works & Services

###### c. Visitors

Name	Name
Sue Collingwood	Darren Cole
Lisa Cole	

## 2.2 Apologies

Name	
Cr Anthony Farrell (Deputy President)	North East Ward
Tom & Tana Davies	Parkfalls Residents

## 3.0 Confirmation of Minutes of previous Annual Electors Meeting held on 3 February 2015

**MOVED: CR FORRESTER**

**SECONDED: CR WOOD**

That the Minutes of the Annual General Meeting of Electors held on Tuesday 3 February 2015 be confirmed as a true and accurate record.

**CARRIED**  
Minute Reference AEM 02/16 - 1

## 4.0 Receiving of Annual Report 2014/2015 (Incorporates)

- 2014/2015 Annual Financial Statements
- 2014/2015 Audit Report
- Presidents Report
- Chief Executive Officers Report

**MOVED: CR WOOD**

**SECONDED: CR HUMPHREY**

That the 2014/2015 Annual Report including Annual Financial Statements, Audit Report, Presidents Report and Chief Executive Officer Report be received.

**CARRIED**  
Minute Reference AEM 02/16 - 2

## 5.0 General Business

**MOVED: MRS COLLINGWOOD**

**SECONDED: MR COLE**

A vote of thanks to Councillors for their representation and to staff for their work over the past 12 months

**CARRIED**  
Minute Reference AEM 02/16 - 3

## **6.0 Closure**

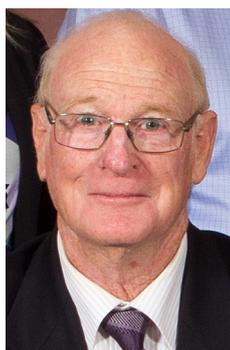
The Presiding Member thanked members, ratepayers, visitors and staff for attending and declared the electors meeting closed at 6.27pm



# Reports

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# PRESIDENTS ANNUAL REPORT TO ELECTORS



Cr John Collingwood  
**Shire President**

## **INTRODUCTION**

This report covers the 2015/2016 financial year, which has been an interesting period with a number of issues arising.

The Shire's population continues to grow, specifically in the south-west area of the Shire, which emphasises the importance of forward strategic planning and embracing genuine resource sharing activities to ensure we are as efficient and effective as possible.

## **OAKAJEE NARGULU INDUSTRIAL CORRIDOR (ONIC)**

Council continues to push the State Government to acquire the land upon which the proposed Oakajee Narngulu Industrial Corridor (ONIC) has been planned.

The State Government's delays in negotiating the acquisition of the land from all affected landowners is unsatisfactory as this clearly sterilises the opportunity of landowners to develop or sell their asset. This is an unacceptable situation and the Shire will continue to promote a resolution on behalf of all landowners as soon as possible.

## **COMMUNITY GROWTH FUND**

The Community Growth Fund entered its second year and though the number of applications and funds granted were less than budgeted funds for the year the projects approved were worthy i.e.

- Chapman Valley Agricultural Society – Park & Pay Fencing \$3,915
- Chapman Valley Men's Shed – Signage for the shed \$1,110
- Chapman Valley Historical Society – Power to the new Machinery Shed \$2,750
- Chapman Valley Historical Society – Significance Workshop with Cathy Day \$2,850

I congratulate the recipients of CGF grants in 2015/2016 and for the successful completion of their individual projects. It is hoped the CGF program can continue well into the future and we will recognise the benefits of this program within the community.

## **VOLUNTEER BUSH FIRE BRIGADES**

The work of the local bush fire brigades continues to provide the community with an assurance that active and well trained units are available to assist in cases of emergency. These volunteers continue to do an excellent job and I once again commend them all for their efforts over the past and previous years.

## **COUNCIL MEMBERSHIPS**

The make-up of the Council during 2015/2016 was:

### **North East Ward**

Cr John Collingwood (President)  
Cr Anthony Farrell (Deputy President)  
Cr Pauline Forrester  
Cr Trevor Royce  
Cr Kirrilee Warr

### **South West Ward**

Cr Peter Humphrey  
Cr Veronica Wood  
Cr Ian Maluish

I wish to extend my sincere appreciation to all Councillors for the contribution to the Council and community.

## **WARD REPRESENTATION REVIEW**

In 2015/2016 Council undertook a review of Elected Member Ward Representation in accordance with legislative requirements.

Council made a significantly historical decision to request the Local Government Advisory Board support the abolition of Wards from the Shire of Chapman Valley district.

The Local Government Advisory Board supported Council's position, which was presented to the Minister for Local Government & Communities who approved the abolition of Wards from the Shire of Chapman Valley.

This is a significant change to how the Shire of Chapman Valley has operated since its inception and brings the Shire in line with the trend of local government authorities moving away from the Ward structure. The '*No Ward*' structure embraces the concept of all Elected Members being elected to represent the whole district and not just one particular Ward.

Approximately two thirds of local government authorities across the State have now moved to the '*No Ward*' structure.

## **BILL HEMSLEY PARK DEVELOPMENTS**

2015/2016 saw significant discussions and negotiations occur within the Council Chamber and the community on proposed developments at Bill Hemsley Park located within the Parkfalls Estate.

This project has been interesting and at times challenging and controversial. However; I am pleased to report the project is now entering the tender stage and I have high expectations on the ground works that will commence in 2016/2017.

## **MOBILE TELEPHONE TOWERS**

It was exciting and pleasing to see many years of lobbying, negotiation and promotion on the need to improve mobile telephone communications within the Shire come to fruition in 2015/2016.

Four towers have been established and though not all were operation by the 30<sup>th</sup> June 2016 it is expected they will all be fully operational by October 2016.

I wish to extend my sincere appreciation to all those involved in promoting the need to improve mobile telephone communications over a decade (or more). Well done to you all!

## **COUNCIL MEETINGS**

Council trialled moving two of its Ordinary Monthly Council Meetings to locations within the Shire other than the traditional location of Nabawa.

Meetings were held at:

- John Batten Hall – Drummond Cove; and
- Yuna Multipurpose Community Centre

I believe the trial has been successful and envisage this practice may continue into the future.

## **CONCLUSION**

I take this opportunity to thank all Councillors and staff for their excellent contribution to strategic direction and day to day operations of the Shire of Chapman Valley throughout the 2015/2016 year.

Finally, I again wish to extend my appreciation to those members of the community who have co-operated with Council in the areas of supplying road building material, water, land resumption, contribution toward works, volunteer labour for community projects etc., as such co-operation is invaluable for Council to maintain and upgrade roads to a more desirable standard for the ever increasing heavy haulage traffic we have on our roads today.



John Collingwood  
**SHIRE PRESIDENT**

# CHIEF EXECUTIVE OFFICER'S ANNUAL REPORT



Maurice Battilana  
Chief Executive Officer

## INTRODUCTION

It is with pleasure I provide the following information to constituents of the Shire of Chapman Valley and include the statutory reporting requirements for the 2015/2016 financial year.

## ROAD WORKS

Council continues to have an extensive road works program each year and works were carried out on various roads including the following major construction works during 2015/2016:-

- Valentine Road – Seal Extension & Gravel Sheeting;
- Yuna Tenindewa Road – Final section of seal widening;
- Dartmoor Road – Seal Extension;
- Wandana Road – Gravel Sheeting;
- Bella Vista Road – Realignment & Gravel Sheeting;
- Parkfalls Estate – Shoulder & Drainage Improvements;
- Flood Damage Repair Works – Various Roads

Roadwork projects remain Council's most significant area of expenditure and allocation of Shire resources. In the 2015/2016 year Council spent a total of approximately \$3.5m on road construction and maintenance works.

## PLANT & EQUIPMENT

In accordance with the ten year plant replacement programme Council has continued to update items of plant and equipment in the 2015/2016 financial year to achieve greater efficiencies and minimise plant maintenance costs. This has seen the acquisition of the following replacement major plant items:-

- Grader;
- Crew Cab Truck
- Backhoe;
- Small Tractor;
- Various Light Vehicles

## STAFF

There have been the usual departures and arrivals of staff within the organisation. I wish departing staff all the very best for the future, welcome new staff to the organisation and take this opportunity to thank all staff for their dedication and loyalty to the Shire and the community.

## POPULATION GROWTH

The Shire continues to experience steady growth with the most recent census data recording 1,037 persons living in the Shire of Chapman Valley in 2011 a 27% increase since 2004. It is anticipated that the August 2016 Census will again show a growing population, underlining the fact that Chapman Valley is a great place to live and new residents continue to choose to settle in the Shire and make it their home due to its range of rural-residential lifestyle opportunities.

The building/development approvals issued by the Shire in 2015/2016 are as follows:

1 July 2015 – 30 June 2016		
Type	No. Approved	Value
Dwellings	17	\$4,765,191
Dwelling (Class 1a inside Class 10a)	2	\$119,500
Outbuildings	25	\$663,129
Other Residential (patios, pools, granny flats etc.)	18	\$401,290
Industrial/Commercial/Events	6	\$1,080,986
Events	6	N/A
<b>TOTAL</b>	<b>74</b>	<b>\$7,030,096</b>

## PLANNING PROJECTS

The Shire has completed a number of planning projects in 2015/2016 intended to meet the anticipated future needs of its growing population, these include the Coastal Management Strategy & Action Plan, the Buller Local Structure Plan, and the Bill Hemsley Park Concept Plan.

Work has also significantly progressed on the following planning projects in 2015/2016; the Local Planning Strategy review, Nabawa Townsite Revitalisation Strategy, Dolbys Drive Structure Plan and the designs for the Bill Hemsley Park Nature Playground and Community Centre.

## BUILDING PROGRAM

The building development throughout the Shire has been steady with increases in single residential dwellings being constructed in the last half of the financial year which is continuing into 2015/2016, most of the development being in the western region.

Shire projects completed include:

- Yuna Multi-Purpose Community Centre improvements; installation of new site main switch board, consumer mains for the electrical power supply upgrade to 100 amps per phase (3 phase supply), rewiring & commissioning of existing tennis court lights;
- Yuna Hall improvements; stage area upgrades including installation of a new ceiling in the south stage wing, wall panel repairs, timber window repairs, installation of new lights & repaint of the entire stage area;
- Yuna Library improvements; installation of a new through wall air conditioner, the walls, ceiling & timber windows were repainted;
- Lot 23 Yuna house improvements; installation of new overhead range hood over cook top with new tiled splashback behind, installed new Western Power site dome, underground power to the dwelling & Yuna Depot power pole, commenced formal amalgamation of the separate Lots 22 & Lot 23 including easements for underground power supply to Shire Depot;
- Naraling Hall improvements; repainting of all timber window & door frames, repaint rear extension cement sheet walls & re-screwed roof sheets;
- Coronation Beach improvements; creation of 4/ new camp areas, South Coro beach access track re-alignment, installation of new access track defining post & wire fencing & signage, replacement of existing damaged post & wire fencing throughout the camp area, extending kite boarding setup area;
- Nabawa Community Centre improvements; replacement of existing kitchen minor hall & windows with compliant modern glazing, replacement of corroded gutters on main hall public toilets & preschool verandah, removal & replacement of main entrance concrete slab to achieve disabled access compliance, kitchen screen door replaced, damaged concrete slab at preschool verandah replaced;
- Nabawa Stadium improvements; extend playpen area, install exhaust fans in male & female WC's in club house, remove bench under brick arch, replace shelves, install overhead power point in stadium kitchen, install kilo watt hour meter at switch board;

- Nabawa Shire Office improvements; installation of a new gyprock ceiling in the front main office & recarpet, repaint all walls & ceilings, replacement of 12/ boardroom chairs;
- Nabawa Tennis Club; install kilo watt hour meter;
- Nabawa Men's Shed; install kilo watt hour meter;
- Centennial Park improvements; replace BBQ cook top with a king size electric cook top, repaint gazebo;
- Nabawa Depot improvements; setup existing trailer mounted 40kw diesel generator to supply emergency power to the Main Shire Office via site main switch board, installed water supply to Gardeners Shed
- Nabawa Cemetery improvements; the installation of the new signage shade structure site / grave location map & historical information, new gravelled carpark area installed, purchased new grave shoring boards ;
- Nanson Show Ground improvements; sinking new bore, installation of submersible pump & pump shed to supply entire show ground infrastructure, install underground power to pump shed, install new water storage tanks at Sheep Shed to service public toilets & Dining Hall, 2/ tanks & pump at Western Riding Club, installation of new gravel access road & fencing to the east & north to improve public access during the Ag. Show;
- Nanson Museum improvements; installed underground power, new lights, exit signs & power points, install upgraded switch board in main museum display shed, cut thru wall to improve public circulation, installed channel & grate & soak well at main entrance door to divert storm water.

## **NATURAL RESOURCE MANAGEMENT**

The Shire of Chapman Valley continues to work with landowners, community groups and the Northern Agricultural Catchments Council ('NACC') on natural resource management, with a focus in 2015/2016 on coastal invasive species management and rehabilitation works.

The Shire was successful with its grant application for \$40,000 external funding, in addition to the Shire's own financial contribution of \$15,000 to undertake invasive species management (with particular focus on boxthorn removal), brushing, rehabilitation and access management works along the Shire coast.

The Shire is working in partnership with NACC, and the Mid West Ports Authority and LandCorp who are also providing monetary contributions, and there is also opportunity to work with relevant stakeholders and community groups including the Long Boarding Club and Windsurfing Club to undertake in-kind coastal works.

## **REGIONAL COOPERATION**

The Shire continued to provide a regular town planning service to a number of local government authorities during the 2015/2016 year.

Council uses the services of the Environmental Health Officer from the Shire of Northampton as required, and also outsources some of the fortnightly payroll functions to the City of Greater Geraldton.

In 2015/2016 the Shire continued to work with other Mid West local governments in the Northern Country Zone to develop improved regional internet service. This project was at the concept stage at 30 June 2016 and it is hoped will develop further over the next few years as a higher standard of telecommunications is integral to developing regional service delivery.

## **PUBLIC INTEREST DISCLOSURE ACT 2003**

In the year under review, Council received no reports for the reporting period under the *Public Interest Disclosure Act 2003*.

**REPORT ON THE SHIRE OF CHAPMAN VALLEY PLAN FOR THE FUTURE – LOCAL GOVERNMENT ACT 1995 - SECTION 5.53(2)(e)**

In accordance with legislation the Shire completed the process of developing the required Integrated Planning & Reporting (IPR) documents to complement the Plan for the Future requirements of the Local Government Act, 1995, (Section 5.53(2)(e)) and associated legislation.

Below is a *Progress Report* on how Council has performed with specific aspects of the adopted Integrated Strategic Plan

# INTEGRATED STRATEGIC PLANNING – PROGRESS REPORT

Shire of Chapman Valley Strategic Community Plan Bi Annual Review		Objective / Outcome/Strategy	Project Timeline				
Community Vision	We are a thriving community , making the most of our coastline, ranges and rural settings to support us to grow and prosper.		Progress	Progress	Progress	Advocacy	
Aim			Completed	Short-term June 2017	Medium-term June 2019	Long-term 2020 and beyond	No timeline
<b>Focus Area One</b> Economic: Business Development and Attraction							
<b>Objectives</b>	<b>Strategy</b>	<b>Outcome</b>					
We want to be able to spend our money locally and encourage others to do the same	Ensure planning and procedures are in place to promote the establishment of retail outlets are established at strategic locations within the Shire	We can help to grow the local economy				Advocate for the establishment of a privately run general store.	
	Ensure planning and procedures are in place to promote and develop tourism in the Shire, including cottage industries, caravan park and events	Showcasing our attractions increases the number of people visiting our area	Historical Society Shed Extensions	Tourist Brochure / Map		Staff assistance and Council involvement in the Tourism Working Group in initial stages if required to help with Advocate establishment of Tourist Alliance Group made up of tourist operators	
	Ensure planning and procedures are in place to promote and develop tourism in the Shire, including cottage industries, caravan park and events	Visitors stay longer in our community and short term/casual employees can reside in the Shire		Chapman Valley Interaction and Promotion Project eg wildflower tours, social media, marketing, tourist promotion	Establishment of RV dump points at strategic locations throughout the Shire eg land adjacent to Nabawa Tavern. Involve Tourism Alliance Group regarding locations.		
	Utilise the land available in the area for a range of new businesses	Ensure planning and procedures are in place to promote and develop tourism in the Shire, including cottage industries, caravan park and events	Increased customer spending and employment in the Shire				Identify commercial land in the South-West Ward.
<b>Focus Area Two</b> Leadership: Engagement and Communication							
We want a representation and Governance model that reflects our community's unique attributes	The President and Councillors to be representative of the Community and provide strong, well informed and professional leadership	Community confidence and trust in Council. Improved participation in elected member training.		Establishment of a community engagement strategy, including reference to community engagement via social media.			
We want to strengthen our community's position for the future	Maintain a resilient and independent Shire, which portrays unity and cooperation	A sustainable and progressive local government	Update of Workforce Plan.	Update Asset Management Plan and Long Term Financial Plan, including rationalisation of assets to maximise service delivery.		Continued advocacy of regional service delivery	
Transparent decision making is important to us	Active engagement with the community to inform decision making	Contribution to how local decisions are managed		Trial of shop front facility in Geraldton CBD			
				Trial locating council meetings at sites other than Nabawa			
	Maintain a strong customer focus	Effective communication on key decisions		Improved website and registration of social media accounts.			
				Trial of shop front facility in Geraldton CBD			
<b>Focus Area Three</b> Community: Maintaining and Growing the Population							
We need good services to support our development as a Shire	Maintain and improve existing services and facilities and look at what additional services the community require	Essential services help us to grow and prosper as a community	Yuna Community Centre		Administration office extension		
					Nabawa depot upgrade		
			Howatharra Bushfire Engage shed construction				
	Promote and contribute to increased mobile phone coverage and improve power, road and water services	Essential services help us to grow and prosper as a community	Bore 8 for Nabawa Oval	Mobile phone towers		Advocate with Water Corp for the establishment of improved water	
			New bore established at Nanson Showgrounds				
	Continue to be actively involved in regional services delivery model	Improved service delivery in an effective, efficient and customer focussed manner.				Continued advocacy of regional service delivery	
	Ensure planning and procedures are in place to promote local child care facilities are established within the shire.	Young people are retained in our community and assist constituents back into the workforce.					
	Ensure planning and procedures are in place to promote the establishment of aged care facilities across the Shire	We can care for our elderly locally				Promote establishment of aged care facilities in the Shire	
We want inclusive communities	Ensure planning and procedures are in place to promote develop community facilities to provide gathering places, including community centre, swimming pools.	Stronger, inclusive communities across the Shire	Assist Ag Society to re-brand.	Bill Hemsley park			
			The Windmill Art Project				
			Mens Shed establishment				
We are committed to growth in our Shire	Ensure planning and procedures are in place to promote make the right land available to increase housing	More people and families move into the Shire	Gifted Green Drive land to Landcorp	Buller Structure Plan		Marketing Green Drive land sales.	
				Nabawa Revitalisation Plan			
<b>Focus Area Four</b> Environment: Protection and Sustainability							
Sustainability and protection of our land is important to the future of the area	Ensure planning and procedures are in place to provide support to increase innovative farming practices in the area	Our land will be more productive now and into the future.				Support to grower and biodiversity groups.	
				Increase funding for weed control including roadside spraying.		Advocacy role with landowners regarding weed control.	
	Ensure planning and procedures are in place to protect and manage the land under the control and management of the Shire.	Protection of our land and environment including responsible waste management.	Established Regional Waste Management Service with 3 neighbouring LGAs.	Coastal Management Plan		Improved regional waste management and recycling services eg shredder/crushing machine.	
We want to make the most of our environment, including the ranges, rivers and coastline	Explore opportunities to utilise key areas in the Shire by showcasing their natural and environmental characteristic.	We recognise and uphold the value of our natural landscape	Invasive Species Implementation Plan and Upper Chapman Revegetation Plan				

Any modification that was made to the Strategic Community Plan during the financial year			
Nil.			
Any significant modification made to the Corporate Business Plan during the financial year			
	Short Term	Medium/Long Term	Comment
	\$000	\$000	
<b>Buildings</b>			
Bill Hemsley Park	800	0	Amount amended
Nabawa Office Extensions (Partial)	200	0	Added to Short Term
Nabawa Office Extensions (Remaining Works)	0	470	Deferred to Medium/Long Term
Nanson Showgrounds (New Arena Shed – Grant Reliant)	80	0	Added to Short Term
Nanson Showgrounds (Roof Repairs)	0	20	Added to Medium/Long Term
CEO's Residence (Western Regions)	0	420	Postponed to 20/21
Nabawa Depot Upgrade	0	0	Removed
<b>Infrastructure</b>			
East Nabawa Road Seal Extension	477	480/480/345	Added to Medium/Long Term
Yuna Tenindewa reseal	0	175/175	Added to Medium/Long Term
Parkfalls Estate as per development plan	0	150	Amended to include Bill Hemsley Park Project Earthworks in 16/17
Valentine Two Coat seal	300/300	393/300/300/300	Added to Medium/Long Term
Contractors & Material Outsources	200	0	Added to Short Term
<b>Operating</b>			
Rate Increase	6.50%	6.5%	Maintaining increase below LTFP Base Scenario average increase of 6.5%
Fees and charges	2.7%	2.7%	
Materials & Contracts	3.3%	2.9%	
Insurance	3.3%	2.9%	Insurance actual costs lower than anticipated
Utilities	7.0%	7.0%	Utilities actual costs lower than anticipated
Other Expenditure	3.3%	2.9%	

#### PAYMENTS TO EMPLOYEES (SECTION 5.53(2)(g) LOCAL GOVERNMENT ACT 1995)

In accordance with section 5.53(2)(g) of the *Local Government Act* 1995 and Clause 19B of the *Local Government (Administration) Regulations* 1996, employee's payments equal to, or in excess of \$100,000.00 (cash component) are required to be recognised in the Shire's Annual Report i.e.

Range – In Increments of \$10,000	Number of employees within each Range
150,000 to 160,000	1
100,000 to 110,000	1

## NATIONAL COMPETITION POLICY

### Clause 7 Statement - LR3

The Shire of Chapman Valley commence a full review of all Local Laws during 2015/2016 financial year and with an expectation the new local laws will be adopted in 2016/2017 and these local laws will continue maintain full compliance with the requirements of the National Competition Policy.

### Clause 7 Statement – Competitive Neutrality

As none of the Shire of Chapman Valley activities derived an annual income in excess of \$200,000, it has not been necessary for Council to implement the Competitive Neutrality Principles of the National Competition Policy.

## DISABILITY SERVICES

In accordance with section 29 (2) of the *Disability Service Act 1993*, it is a requirement for the Shire of Chapman Valley to report on outcome based activities highlighted in the Disability Service Plan (now known as the Disability Access and Inclusion Plan-DAIP) in this report.

Council undertook a full review of its Disability Service Plan in 2015 and adopted its new plan in May 2015 for the period 2015 to 2019

Under the *Disability Services Act 1993*, and as a part of the DAIP, each Local Government Authority has an annual reporting responsibility. The following progress report was presented to the Disability Services Commission:

### 1. Below is a report on the Outcome Areas of our DAIP for 2015/2016:

	<b>Number of strategies planned of 2015/2016</b> (Strategies planned whether implemented or not).	<b>Number of strategies completed in 2015/2016</b> (Strategies that were completed. Include on-going strategies).	<b>Number of strategies progressed through contractors in 2015/2016</b> (Strategies implemented by contractors. Not the number of contractors).
<b>Outcome 1</b>	0	0	0
<b>Outcome 2</b>	0	0	0
<b>Outcome 3</b>	0	0	0
<b>Outcome 4</b>	0	0	0
<b>Outcome 5</b>	0	0	0
<b>Outcome 6</b>	0	0	0
<b>Outcome 7</b>	0	0	0

### 2. Below is a report on how we informed agents and contractors of your Disability Access and Inclusion Plan for 2015/2016

Provided a copy of your agency DAIP	√
Provided a link to the DAIP	√
Sent a letter	
Referenced in a contract(s)	√
Referenced in a contract variation(s)	

**3. Below is a brief description of any significant DAIP initiatives undertaken by, or on behalf of your organisation by agents and contractors, in 2015/2016.**

- Continued and ongoing recognition of Strategies within the DAIP

**STATE RECORDS ACT 2000 - STANDARD 2/PRINCIPAL 6**

In accordance with the requirements of Standard 2, Principal 6 of the *State Records Act 2000*, I hereby report on how the Shire of Chapman Valley employees are complying with the Shire's Records Keeping Plan:

Item 6.1 - Staff Training, Information Sessions, Publications

Activities to ensure staff awareness and compliance are being implemented in accordance with Council's endorsed Record Keeping Plan and will be an ongoing requirement of the organisation.

Additional staff training and awareness was continued in 2015/2016.

Item 6.2 – Performance Indicators in place

The following performance indicators have been developed to measure the efficiency and effectiveness of the Shire of Chapman Valley's record keeping system:-

A register is to be maintained by the Administration staff responsible for filing all records of:-

- ~ Records that cannot be located
- ~ Files that are missing and unable to be located

Item 6.3 – Agency Evaluation

The Shire of Chapman Valley's record keeping system will be continually reviewed and improved where possible in order to pursue best practise for the organisation. The current record keeping systems are assessed as being efficient and effective for the requirements of the organisation.

A new electronic filing system, Synergysoft Records, was acquired and installed at the end of the 2007/2008 financial year. I am pleased to report that administration staff will receive further training on the efficient use of this system.

**REGISTER OF COMPLAINTS**

In accordance with section 5.121 and of the *Local Government Act 1995* states the following:

**5.121. Register of certain complaints of minor breaches**

- (1) *The complaints officer for each local government is required to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c).*
- (2) *The register of complaints is to include, for each recorded complaint —*
  - (a) *the name of the council member about whom the complaint is made;*
  - (b) *the name of the person who makes the complaint;*
  - (c) *a description of the minor breach that the standards panel finds has occurred; and*
  - (d) *details of the action taken under section 5.110(6)(b) or (c).*

Section 5.53 (2)(hb) of the Local Government, 1995, stipulates the following details needs to be reported:

<b>Number of complaints recorded in the register</b>	<b>How complaints were dealt with</b>	<b>Other details that the regulations require</b>
14	All dealt with and resolved internally	Nil

## **CONCLUSION**

The Shire continues to improve the strategic direction and operations of the organisation and I take this opportunity to thank and congratulate all Elected Members, Staff and Volunteers for their contributions to the process.

I look forward to working with the Elected Members, Staff and the Community to meet the many challenges of the future at the Shire of Chapman Valley.



Maurice Battilana  
**CHIEF EXECUTIVE OFFICER**

# **AUDITED FINANCIAL REPORT**

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**SHIRE OF CHAPMAN VALLEY**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

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Principal place of business:  
Chapman Valley Road, Nabawa

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the 24<sup>th</sup> day of NOVEMBER 2016



Maurice Battilana  
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	23	2,343,689	2,321,246	2,202,596
Operating grants, subsidies and contributions	30	1,567,184	1,716,743	1,849,765
Fees and charges	29	358,919	369,280	385,532
Interest earnings	2(a)	70,489	57,000	90,706
Other revenue	2(a)	17,324	11,050	6,747
		<u>4,357,605</u>	<u>4,475,319</u>	<u>4,535,346</u>
<b>Expenses</b>				
Employee costs		(1,381,934)	(1,543,403)	(1,240,683)
Materials and contracts		(1,780,568)	(2,017,477)	(1,234,564)
Utility charges		(53,907)	(61,887)	(56,411)
Depreciation on non-current assets	2(a)	(1,734,861)	(1,280,034)	(1,172,434)
Interest expenses	2(a)	(9,280)	(10,701)	(12,353)
Insurance expenses		(135,975)	(187,854)	(170,568)
Other expenditure		(56,044)	(98,665)	(107,125)
		<u>(5,152,569)</u>	<u>(5,200,021)</u>	<u>(3,994,138)</u>
		(794,964)	(724,702)	541,208
Non-operating grants, subsidies and contributions	30	1,323,888	1,073,328	2,608,894
Profit on asset disposals	21	69,497	64,900	4,784
(Loss) on asset disposals	21	(59,623)	(34,000)	(358,923)
Reversal of prior year loss on revaluation of furniture and equipment	7(b)	15,970	0	0
Reversal of prior year loss on revaluation of plant and equipment	7(b)	715,371	0	0
<b>Net result</b>		<u>1,270,139</u>	<u>379,526</u>	<u>2,795,963</u>
Changes on revaluation of non-current assets	13	43,088	0	27,693,740
<b>Total other comprehensive income</b>		<u>43,088</u>	<u>0</u>	<u>27,693,740</u>
<b>Total comprehensive income</b>		<u><u>1,313,227</u></u>	<u><u>379,526</u></u>	<u><u>30,489,703</u></u>

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

**SHIRE OF CHAPMAN VALLEY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		19,925	7,700	24,510
General purpose funding		2,840,825	2,796,457	3,576,230
Law, order, public safety		35,603	33,970	41,163
Health		6,482	4,573	8,918
Education and welfare		0	8,022	7,292
Housing		18,806	14,040	20,604
Community amenities		340,828	222,290	476,962
Recreation and culture		95,773	482,710	82,873
Transport		870,468	799,437	139,501
Economic services		37,625	31,450	37,107
Other property and services		91,270	74,670	120,186
		<u>4,357,605</u>	<u>4,475,319</u>	<u>4,535,346</u>
<b>Expenses</b>	2(a)			
Governance		(365,799)	(451,002)	(384,980)
General purpose funding		(103,899)	(120,959)	(201,514)
Law, order, public safety		(178,724)	(209,856)	(182,015)
Health		(8,410)	(8,370)	(21,527)
Education and welfare		(2,067)	(7,200)	(3,448)
Housing		(8,645)	(15,227)	(28,728)
Community amenities		(692,304)	(974,229)	(1,001,343)
Recreation and culture		(552,957)	(669,950)	(457,870)
Transport		(2,834,093)	(2,246,014)	(1,435,850)
Economic services		(325,986)	(413,799)	(175,354)
Other property and services		(70,405)	(72,714)	(89,156)
		<u>(5,143,289)</u>	<u>(5,189,320)</u>	<u>(3,981,785)</u>
<b>Finance costs</b>	2(a)			
Governance		0	0	(12)
General purpose funding		0	(2,000)	0
Community amenities		0	0	(878)
Recreation and culture		(2,988)	(2,901)	(3,080)
Transport		(5,995)	(5,800)	(8,383)
Other property and services		(297)	0	0
		<u>(9,280)</u>	<u>(10,701)</u>	<u>(12,353)</u>
		<u>(794,964)</u>	<u>(724,702)</u>	<u>541,208</u>
Non-operating grants, subsidies and contributions	30	1,323,888	1,073,328	2,608,894
Profit on disposal of assets	21	69,497	64,900	4,784
(Loss) on disposal of assets	21	(59,623)	(34,000)	(358,923)
Reversal of prior year loss on revaluation of furniture and equipment	7(b)	15,970	0	0
Reversal of prior year loss on revaluation of plant and equipment	7(b)	715,371	0	0
		<u>731,341</u>	<u>0</u>	<u>0</u>
<b>Net result</b>		<u>1,270,139</u>	<u>379,526</u>	<u>2,795,963</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	43,088	0	27,693,740
<b>Total other comprehensive income</b>		<u>43,088</u>	<u>0</u>	<u>27,693,740</u>
<b>Total comprehensive income</b>		<u>1,313,227</u>	<u>379,526</u>	<u>30,489,703</u>

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

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

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,697,602	2,870,703
Trade and other receivables	5	202,432	387,373
Inventories	6	<u>2,065</u>	<u>2,086</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,902,099</u>	<u>3,260,162</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	8,138	6,388
Property, plant and equipment	7	15,343,432	14,053,424
Infrastructure	8	<u>104,817,955</u>	<u>104,289,644</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>120,169,525</u>	<u>118,349,456</u>
<b>TOTAL ASSETS</b>		<u>123,071,624</u>	<u>121,609,618</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	406,932	283,035
Current portion of long term borrowings	10	55,991	58,888
Provisions	11	<u>319,560</u>	<u>314,941</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>782,483</u>	<u>656,864</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	10	151,866	133,972
Provisions	11	40,166	34,900
<b>TOTAL LIABILITIES</b>		<u>974,515</u>	<u>825,736</u>
<b>NET ASSETS</b>		<u>122,097,109</u>	<u>120,783,882</u>
<b>EQUITY</b>			
Retained surplus		28,790,005	27,528,761
Reserves - cash backed	12	1,179,068	1,170,173
Revaluation surplus	13	<u>92,128,036</u>	<u>92,084,948</u>
<b>TOTAL EQUITY</b>		<u>122,097,109</u>	<u>120,783,882</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		24,251,226	1,651,745	64,391,208	90,294,179
Comprehensive income					
Net result		2,795,963	0	0	2,795,963
Changes on revaluation of assets		0	0	27,693,740	27,693,740
Total comprehensive income	13	<u>2,795,963</u>	<u>0</u>	<u>27,693,740</u>	<u>30,489,703</u>
Transfers from/(to) reserves		481,572	(481,572)	0	0
<b>Balance as at 30 June 2015</b>		<b>27,528,761</b>	<b>1,170,173</b>	<b>92,084,948</b>	<b>120,783,882</b>
Comprehensive income					
Net result		1,270,139	0	0	1,270,139
Changes on revaluation of assets		0	0	43,088	43,088
Total comprehensive income	13	<u>1,270,139</u>	<u>0</u>	<u>43,088</u>	<u>1,313,227</u>
Transfers from/(to) reserves		(8,895)	8,895		0
<b>Balance as at 30 June 2016</b>		<b>28,790,005</b>	<b>1,179,068</b>	<b>92,128,036</b>	<b>122,097,109</b>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,365,507	2,321,246	2,186,210
Operating grants, subsidies and contributions		1,580,115	1,716,743	1,769,721
Fees and charges		370,369	369,280	398,166
Interest earnings		70,489	57,000	90,706
Goods and services tax		(66,287)	0	384,366
Other revenue		17,324	11,050	6,747
		<u>4,337,517</u>	<u>4,475,319</u>	<u>4,835,916</u>
<b>Payments</b>				
Employee costs		(1,370,844)	(1,543,403)	(1,363,690)
Materials and contracts		(1,654,631)	(1,817,477)	(1,337,418)
Utility charges		(53,907)	(61,887)	(54,034)
Interest expenses		(9,225)	(10,701)	(14,981)
Insurance expenses		(135,975)	(187,854)	(170,568)
Goods and services tax		0	0	(302,565)
Other expenditure		(56,044)	(98,665)	(107,125)
		<u>(3,280,626)</u>	<u>(3,719,987)</u>	<u>(3,350,381)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>1,056,891</u>	<u>755,332</u>	<u>1,485,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,092,850)	(1,149,586)	(1,307,290)
Payments for construction of infrastructure		(1,857,206)	(2,645,792)	(2,584,265)
Non-operating grants, subsidies and contributions		1,523,888	1,073,328	2,608,894
Proceeds from sale of fixed assets		181,179	209,000	83,351
<b>Net cash provided by (used in) investment activities</b>		<u>(1,244,989)</u>	<u>(2,513,050)</u>	<u>(1,199,310)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(58,888)	(58,888)	(153,983)
Proceeds from new debentures		73,885	140,199	0
<b>Net cash provided by (used in) financing activities</b>		<u>14,997</u>	<u>81,311</u>	<u>(153,983)</u>
<b>Net increase (decrease) in cash held</b>		(173,101)	(1,676,407)	132,242
Cash at beginning of year		2,870,703	2,870,703	2,738,461
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>2,697,602</u></u>	<u><u>1,194,296</u></u>	<u><u>2,870,703</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>		1,806,954	1,618,266	985,004
		<u>1,806,954</u>	<u>1,618,266</u>	<u>985,004</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		19,925	7,700	24,510
General purpose funding		497,260	475,211	1,373,635
Law, order, public safety		35,603	33,970	41,163
Health		6,482	4,573	8,918
Education and welfare		0	8,022	7,292
Housing		18,806	14,040	25,388
Community amenities		340,828	222,290	476,962
Recreation and culture		95,773	482,710	82,873
Transport		1,671,306	864,337	139,501
Economic services		37,625	31,450	37,107
Other property and services		91,270	74,670	120,186
		<u>2,814,878</u>	<u>2,218,973</u>	<u>2,337,535</u>
<b>Expenditure from operating activities</b>				
Governance		(365,799)	(451,002)	(384,992)
General purpose funding		(103,899)	(122,959)	(201,514)
Law, order, public safety		(178,724)	(209,856)	(201,774)
Health		(8,410)	(8,370)	(21,527)
Education and welfare		(2,067)	(7,200)	(3,448)
Housing		(8,645)	(15,227)	(28,728)
Community amenities		(692,304)	(974,229)	(1,339,701)
Recreation and culture		(555,945)	(672,851)	(460,950)
Transport		(2,899,711)	(2,285,814)	(1,445,917)
Economic services		(325,986)	(413,799)	(175,354)
Other property and services		(70,702)	(72,714)	(89,156)
		<u>(5,212,192)</u>	<u>(5,234,021)</u>	<u>(4,353,061)</u>
<b>Operating activities excluded from budget</b>				
Revaluation losses recognised through expenditure		(731,341)	0	0
(Profit) on disposal of assets	21	(69,497)	(64,900)	(4,784)
Loss on disposal of assets	21	59,623	34,000	358,923
Movement in deferred pensioner rates (non-current)		(1,750)	0	(506)
Movement in employee benefit provisions (non-current)		9,885	0	(19,466)
Depreciation and amortisation on assets	2(a)	1,734,861	1,280,034	1,172,434
<b>Amount attributable to operating activities</b>		<u>411,421</u>	<u>(147,648)</u>	<u>476,079</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,323,888	1,073,328	2,608,894
Proceeds from disposal of assets	21	181,179	209,000	83,351
Purchase of property, plant and equipment	7(b)	(1,092,850)	(1,149,586)	(1,307,290)
Purchase and construction of infrastructure	8(b)	(1,857,206)	(2,645,792)	(2,584,265)
<b>Amount attributable to investing activities</b>		<u>(1,444,989)</u>	<u>(2,513,050)</u>	<u>(1,199,310)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of debentures	22(a)	(58,888)	(58,888)	(153,983)
Proceeds from new debentures	22(a)	73,885	140,199	0
Transfers to reserves (restricted assets)	12	(341,515)	(26,400)	(326,981)
Transfers from reserves (restricted assets)	12	332,620	284,541	808,553
<b>Amount attributable to financing activities</b>		<u>6,102</u>	<u>339,452</u>	<u>327,589</u>
<b>Surplus(deficiency) before general rates</b>		<u>(1,027,466)</u>	<u>(2,321,246)</u>	<u>(395,642)</u>
<b>Total amount raised from general rates</b>	23	<u>2,343,565</u>	<u>2,321,246</u>	<u>2,202,596</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><u>1,316,099</u></u>	<u><u>0</u></u>	<u><u>1,806,954</u></u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated. All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

**(b) Goods and Services Tax (GST)**

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

**(c) Cash and Cash Equivalents**

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

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

**SHIRE OF CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 \$5,000 is not capitalised. Rather, it is recorded as an expense.

**SHIRE OF CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY**  
**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 CHAPMAN VALLEY  
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:

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

**SHIRE OF CHAPMAN VALLEY  
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 <sup>(1)</sup>	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.
(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	It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.  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:**

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

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

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net result includes:			
(i) Charging as an expense:			
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	22,400	40,382	
- Other services	3,900	3,100	
<b>Depreciation</b>			
Buildings - non-specialised	3,200	3,724	
Buildings - specialised	103,565	86,500	
Furniture and equipment	25,957	25,482	
Plant and equipment	265,767	273,302	
Tools and Equipment	7,477	3,760	
Infrastructure - roads	1,260,400	749,135	
Infrastructure - parks and ovals	42,365	16,924	
Infrastructure - other	26,130	13,607	
	<u>1,734,861</u>	<u>1,172,434</u>	
<b>Interest expenses (finance costs)</b>			
Debentures (refer Note 22 (a))	8,983	12,341	
Municipal Fund Interest	0	12	
Other Interest	297	0	
	<u>9,280</u>	<u>12,353</u>	
(ii) Crediting as revenue:			
<b>Other revenue</b>			
Other	17,324	6,747	
	<u>17,324</u>	<u>6,747</u>	
	<u>1,734,861</u>	<u>1,172,434</u>	
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest earnings</b>			
- Reserve funds	13,857	16,900	33,196
- Other funds	33,490	25,000	36,070
Other interest revenue (refer note 28)	23,142	15,100	21,440
	<u>70,489</u>	<u>57,000</u>	<u>90,706</u>

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

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

**COMMUNITY VISION**

The Shire of Chapman Valley's vision is:

To maintain and enhance sustainable growth and prosperity in accordance with the Chapman Valley traditional rural and natural values.

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:**

Revenue from rates levied, interest and fees on instalment arrangements and arrears, government subsidy for entitled pensioners and rates deferred, less discounts and concessions relating to rates levied. Expenditures incurred in administration and maintaining rate records, rating valuations, serving notices, postage, stationery, advertising, debt collection, printing, indirect administration costs etc. Income receivable from the WA Grants Commission and any other Government Grant of a general purpose nature. Interest earnings from deposits and investments, including reserve accounts. General overdraft expenses.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

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

**Activities:**

Administration and operations on fire prevention services, including volunteer fire brigades, outlays on roadside clearing operations and other protective burning. Revenues include fines and penalties imposed under relevant Acts and fines, fees or charges for clearing fire breaks. Administration enforcement and operations relating to the control of animals. Costs of impounding, destroying and disposal of stray animals. Revenues include dog registration fees, fines and penalties relating to straying animals, impounding and destruction fees. Ranger's expenses are collected here and apportioned throughout the various programs to which they relate.

**SHIRE OF CHAPMAN VALLEY**  
**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)**

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Food quality and pest control, inspections of eating houses, lodging and boarding houses, itinerant food vendors, offensive trade, and any other outlays concerned with general health inspections and administration services provided by the Council.

**EDUCATION AND WELFARE**

**Objective:**

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

**Activities:**

Operation, improvements and maintenance of pre-school facilities; assistance to playgroups and other voluntary services. Annual awards and prizes to Nabawa and Yuna Primary Schools.

**HOUSING**

**Objective:**

To provide and maintain residential housing.

**Activities:**

Collection of revenue and expenditure in respect of the administration and operation of residential housing for council staff. The expenditure is reallocated to the relevant programmes using staff duties as a basis.

**COMMUNITY AMENITIES**

**Objective:**

To provide services required by the community.

**Activities:**

Administration and operation of domestic refuse collection and disposal services, including delivery to a regional disposal site. Provision and maintenance of rubbish disposal sites. Collection and disposal of public litter bins, special rubbish clean ups, special litter enforcement and control. Includes administration and operation of foreshore protection project. Administration and operation of town planning and regional development services. These include planning control, the preparation of town planning development schemes, zoning and rezoning. Costs associated with resumption of land for recreational purposes. Hosting of a Natural Resource Management Officer to assist community groups and landowners.

**RECREATION AND CULTURE**

**Objective:**

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

**Activities:**

Provision and operation of local libraries and library services. Contributions towards heritage issues such as municipal inventory, local Historical society operations - museum development/ improvement etc.

**SHIRE OF CHAPMAN VALLEY**  
**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)**

**TRANSPORT**

**Objective:**

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

**Activities:**

Construction and maintenance of streets, roads, bridges; cleaning and lighting of streets and maintenance of depots. Purchase of plant used predominantly for the construction and maintenance of streets, roads, bridges etc. Operations relating to the licensing or regulating of traffic under the control of the local government. Includes vehicle registration, vehicle examination expenses and examination facilities.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

Eradication of noxious weeds and control of vermin. The development, promotion, support etc. of tourism and area promotion to attract tourists. Administration, inspection and operations concerned with application of the building standards including examination, processing and inspections services, swimming pool inspections etc. Revenues and outlays associated with water supply - standpipes.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control Shire's overheads operating accounts.

**Activities:**

Administration, inspection, and operation of work carried out on property or services not under the care, control and management of the Council. These include road works on private property. Public Works Overheads - Overheads incurred as the result of the use of direct labour, which is subsequently apportioned to the appropriate works and services absorbing the total expenditure. Includes expenditure incurred in the maintenance and operation of plant, Council's hire rate absorbing the total expenditure of plant running costs and usage. The total salaries and wages incurred during the year is recorded here and allocated over the various works and services to which it relates.

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

**2. REVENUE AND EXPENSES (Continued)**

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening Balance<sup>(1)</sup> 1/07/14</b>	<b>Received<sup>(2)</sup> 2014/15</b>	<b>Expended<sup>(3)</sup> 2014/15</b>	<b>Closing Balance<sup>(1)</sup> 30/06/15</b>	<b>Received<sup>(2)</sup> 2015/16</b>	<b>Expended<sup>(3)</sup> 2015/16</b>	<b>Closing Balance 30/06/16</b>
<b>Grant/Contribution</b>	<b>Function/Activity</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Coronation Beach Evacuation and Emergency Plan	Law, Order and Public Safety	10,582	0	(9,068)	1,514	0	(1,514)	0
Waste Management Regional Investment Plan	Community Amenities	12,092	22,996	(20,215)	14,873	0	(14,873)	0
Declared Species Group	Community Amenities	7,448	0	(7,448)	0	0	0	0
Buller Development Zone Structure Plan	Community Amenities	41,696	0	(41,696)	0	0	0	0
Nabawa Townsite Revitalisation Plan	Community Amenities	30,779	0	(18,336)	12,443	0	(10,029)	2,414
East Bowes Road R4R	Transport	367,365	0	(367,365)	0	0	0	0
Moresby Stage 4	Community Amenities	25,000	0	(25,000)	0	0	0	0
Invasive species plan	Community Amenities	25,000	0	(25,000)	0	0	0	0
Upper Chapman Stage 4	Community Amenities	22,500	0	(22,500)	0	0	0	0
Cloud Chasing	Community Amenities	0	15,000	(1,902)	13,098	0	(10,951)	2,147
Mental Health Training	Community Amenities	0	5,004	0	5,004	0	(5,004)	0
Economic Independence Workshop	Community Amenities	0	3,648	0	3,648	0	(3,648)	0
Coastal Planning Project Workforce Plan	Community Amenities	0	21,000	(20,445)	555	0	(555)	0
East Nabawa Road	Governance	0	25,000	(12,594)	12,406	0	(12,406)	0
Coastal Planning Project	Transport	0	0	0	0	101,950	(21,647)	80,303
Coastal Planning Project	Community Amenities	0	0	0	0	25,000	0	25,000
Coastal Planning Project	Community Amenities	0	0	0	0	25,000	0	25,000
<b>Total</b>		<b>542,462</b>	<b>92,648</b>	<b>(571,569)</b>	<b>63,541</b>	<b>151,950</b>	<b>(80,627)</b>	<b>134,864</b>

**SHIRE OF CHAPMAN VALLEY  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions (Continued)**

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

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		1,518,534	1,700,530
Restricted		1,179,068	1,170,173
		<u>2,697,602</u>	<u>2,870,703</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	12	93,784	92,583
Building reserve	12	527,030	530,157
Water Strategy reserve	12	13,992	13,813
Computer and Office reserve	12	19,195	43,645
Legal reserve	12	39,325	28,378
Land Development reserve	12	62,167	120,054
Roadworks reserve	12	1,060	112,452
Landcare reserve	12	25,557	36,621
Light Vehicle reserve	12	262,094	128,929
Unspent Grants & Loan reserve	2(c)	134,864	63,541
		<u>1,179,068</u>	<u>1,170,173</u>
<b>4. INVESTMENTS</b>			
NIL			
<b>5. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates outstanding		102,396	125,964
Sundry debtors		33,298	257,679
GST receivable		66,287	0
Prepaid Expenditure		451	3,730
		<u>202,432</u>	<u>387,373</u>
<b>Non-current</b>			
Rates outstanding - pensioners		8,138	6,388
		<u>8,138</u>	<u>6,388</u>
<b>6. INVENTORIES</b>			
<b>Current</b>			
Fuel and materials		2,065	2,086
		<u>2,065</u>	<u>2,086</u>

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

	2016 \$	2015 \$
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	2,631,000	2,631,000
- Additions after valuation - cost	<u>60,000</u>	<u>0</u>
	2,691,000	2,631,000
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	<u>1,283,381</u>	<u>1,283,381</u>
	1,283,381	1,283,381
	<u>3,974,381</u>	<u>3,914,381</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 2	200,524	200,524
Less: accumulated depreciation	<u>(6,924)</u>	<u>(3,724)</u>
	193,600	196,800
Buildings - specialised at:		
- Independent valuation 2014 - level 3	6,480,101	6,480,101
- Additions after valuation - cost	1,156,328	974,510
Less: accumulated depreciation	<u>(190,065)</u>	<u>(86,500)</u>
	7,446,364	7,368,111
	<u>7,639,964</u>	<u>7,564,911</u>
Total land and buildings	<u>11,614,345</u>	<u>11,479,292</u>
Furniture and equipment at:		
- Independent valuation 2016 - level 2	29,920	0
- Management valuation 2016 - level 2	128,203	0
- Management valuation 2014 - level 3	0	176,166
Less accumulated depreciation	<u>0</u>	<u>(48,082)</u>
	158,123	128,084
Plant and equipment at:		
- Independent valuation 2016 - level 2	2,655,138	0
- Management valuation 2016 - level 2	813,607	0
- Management valuation 2013 - level 2	0	1,686,732
- Management valuation 2013 - level 3	0	253,124
- Additions after valuation - cost	0	982,756
Less accumulated depreciation	<u>0</u>	<u>(504,815)</u>
	3,468,745	2,417,797

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
Tools and equipment at:		
- Independent valuation 2016 - level 2	53,599	0
- Management valuation 2016 - level 2	48,620	0
- Management valuation 2014 - level 3	0	34,092
Less accumulated amortisation	<u>0</u>	<u>(5,841)</u>
	<u>102,219</u>	<u>28,251</u>
	<u><u>15,343,432</u></u>	<u><u>14,053,424</u></u>

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

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	2,631,000	60,000	0	0	0	0	0	0	2,691,000
Land - vested in and under the control of Council	1,283,381	0	0	0	0	0	0	0	1,283,381
<b>Total land</b>	<b>3,914,381</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,974,381</b>
Buildings - non-specialised	196,800	0	0	0	0	0	(3,200)	0	193,600
Buildings - specialised	7,368,111	181,818	0	0	0	0	(103,565)	0	7,446,364
<b>Total buildings</b>	<b>7,564,911</b>	<b>181,818</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,765)</b>	<b>0</b>	<b>7,639,964</b>
<b>Total land and buildings</b>	<b>11,479,292</b>	<b>241,818</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,765)</b>	<b>0</b>	<b>11,614,345</b>
Furniture and equipment	128,084	35,992	0	4,034	15,970	0	(25,957)	0	158,123
Plant and equipment	2,417,797	781,041	(171,305)	0	706,979	0	(265,767)	0	3,468,745
Tools and equipment	28,251	33,999	0	39,054	8,392	0	(7,477)	0	102,219
<b>Total property, plant and equipment</b>	<b>14,053,424</b>	<b>1,092,850</b>	<b>(171,305)</b>	<b>43,088</b>	<b>731,341</b>	<b>0</b>	<b>(405,966)</b>	<b>0</b>	<b>15,343,432</b>

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

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and buildings</b>					
Land - freehold	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2014	Price per square metre
Land - vested in and under the control of Council	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Professional judgement of Registered Valuer adjusting the price per square metre of sales from sites not in close proximity.
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2014	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Residual value, useful life, pattern of consumption and asset condition in relation to level of remaining service potential of the depreciable amount, valuers professional judgement.
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining useful life assessments.
<b>Plant and equipment</b>					
- Independent valuation 2016	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2016	Price per item
- Management valuation 2013	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining useful life assessments.
<b>Tools and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining useful life assessments.

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

	2016	2015
	\$	\$
<b>8 (a). INFRASTRUCTURE</b>		
Infrastructure - roads		
- Management valuation 2015 - level 3	100,886,441	100,886,441
- Additions after valuation - cost	1,837,557	0
Less accumulated depreciation	<u>(1,260,400)</u>	<u>0</u>
	101,463,598	100,886,441
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	1,632,076	1,632,076
- Additions after valuation - cost	5,279	0
Less accumulated depreciation	<u>(42,365)</u>	<u>0</u>
	1,594,990	1,632,076
Infrastructure - other		
- Management valuation 2015 - level 3	1,771,127	1,771,127
- Additions after valuation - cost	14,370	0
Less accumulated depreciation	<u>(26,130)</u>	<u>0</u>
	1,759,367	1,771,127
	<u>104,817,955</u>	<u>104,289,644</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 CHAPMAN VALLEY  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2016

**8. 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	100,886,441	1,837,557	0	0	0	0	(1,260,400)	0	101,463,598
Infrastructure - parks and ovals	1,632,076	5,279	0	0	0	0	(42,365)	0	1,594,990
Infrastructure - other	1,771,127	14,370	0	0	0	0	(26,130)	0	1,759,367
<b>Total infrastructure</b>	<b>104,289,644</b>	<b>1,857,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,328,895)</b>	<b>0</b>	<b>104,817,955</b>

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

**8. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Infrastructure - roads</b>	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Construction costs, current conditions, residual values and remaining useful life assessments.
<b>Infrastructure - parks and ovals</b>	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Residual value, useful life, pattern of consumption and asset condition in relation to level of remaining service potential of the depreciable amount, valuers professional judgement.
<b>Infrastructure - other</b>	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Residual value, useful life, pattern of consumption and asset condition in relation to level of remaining service potential of the depreciable amount, valuers professional judgement.

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

	2016 \$	2015 \$
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	347,615	242,733
Accrued interest on debentures	1,483	1,428
Accrued salaries and wages	22,169	0
ATO liabilities	0	20,964
Accrued Expenditure	35,665	17,910
	406,932	283,035

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by floating charge		
Debentures	55,991	58,888
	55,991	58,888
<b>Non-current</b>		
Secured by floating charge		
Debentures	151,866	133,972
	151,866	133,972

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2015</b>			
Current provisions	136,622	178,319	314,941
Non-current provisions	0	34,900	34,900
	136,622	213,219	349,841
<b>Balance at 30 June 2016</b>	<b>160,747</b>	<b>198,979</b>	<b>359,726</b>
<b>Comprises</b>			
Current	160,747	158,813	319,560
Non-current	0	40,166	40,166
	160,747	198,979	359,726

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

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
Leave reserve	\$ 92,583	\$ 1,201	\$ 0	\$ 93,784	\$ 92,583	\$ 1,000	\$ 0	\$ 93,583	\$ 41,295	\$ 51,288	\$ 0	\$ 92,583
Building reserve	530,157	6,873	(10,000)	527,030	530,157	10,000	(10,000)	530,157	587,133	86,702	(143,678)	530,157
Water Strategy reserve	13,813	179	0	13,992	13,813	200	0	14,013	13,535	278	0	13,813
Computer and Office reserve	43,645	550	(25,000)	19,195	43,645	200	(25,000)	18,845	8,197	35,448	0	43,645
Legal reserve	28,378	10,947	0	39,325	28,378	10,500	0	38,878	27,808	570	0	28,378
Unspent Grants and Loans reserve	63,541	130,361	(59,038)	134,864	63,541	0	(63,541)	0	542,462	18,210	(497,131)	63,541
Land Development reserve	120,054	1,113	(59,000)	62,167	120,054	2,000	(59,000)	63,054	117,644	2,410	0	120,054
Roadworks reserve	112,452	608	(112,000)	1,060	112,452	0	(112,000)	452	110,195	2,257	0	112,452
Landcare reserve	36,621	3,936	(15,000)	25,557	36,621	500	(15,000)	22,121	83,085	1,280	(47,744)	36,621
Light Vehicle reserve	128,929	185,747	(52,582)	262,094	128,929	2,000	0	130,929	120,391	128,538	(120,000)	128,929
	1,170,173	341,515	(332,620)	1,179,068	1,170,173	26,400	(284,541)	912,032	1,651,745	326,981	(808,553)	1,170,173

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 CHAPMAN VALLEY  
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:

<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Leave reserve	Nil	To be used to fund annual and long service leave requirements.
Building reserve	Nil	To be used for the construction of shire buildings or capital upgrades of existing shire buildings.
Water Strategy reserve	Nil	To be used for the construction and operational costs of facilities for fire fighting purposes.
Computer and Office reserve	Nil	To be used to replace computers and major items of office equipment.
Legal reserve	Nil	To be used to fund legal expenses incurred as a result of tribunals, hearings, litigation etc.
Unspent Grants and Loans reserve	Nil	To be used to quarantine unspent grants and loans.
Land Development reserve	Nil	To be used for further subdivisional development in the Shire of Chapman Valley.
Roadworks reserve	Nil	To be used to fund road infrastructure projects.
Landcare reserve	Nil	To be used for Landcare related purposes as approved by Council.
Light Vehicle reserve	Nil	To be used for the purchase of major plant and light vehicles.

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

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

13. REVALUATION SURPLUS

	2016			2016			2015			
	Opening Balance	Revaluation Increment	Revaluation Decrement	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation Decrement	Total Movement on Revaluation	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	7,535,062	0	0	0	7,535,062	7,535,062	0	0	0	7,535,062
Furniture and equipment	0	4,034	0	4,034	4,034	0	0	0	0	0
Plant and equipment	0	0	0	0	0	0	0	0	0	0
Tools and equipment	0	39,054	0	39,054	39,054	0	0	0	0	0
Infrastructure - roads	81,725,742	0	0	0	81,725,742	56,856,146	24,869,596	0	24,869,596	81,725,742
Infrastructure - parks and ovals	1,386,605	0	0	0	1,386,605	0	1,386,605	0	1,386,605	1,386,605
Infrastructure - other	1,437,539	0	0	0	1,437,539	0	1,437,539	0	1,437,539	1,437,539
	92,084,948	43,088	0	43,088	92,128,036	64,391,208	27,693,740	0	27,693,740	92,084,948

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 CHAPMAN VALLEY**  
**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:

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and cash equivalents	<u>2,697,602</u>	<u>1,194,296</u>	<u>2,870,703</u>
<b>(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	1,270,139	379,526	2,795,963
Non-cash flows in Net result:			
Depreciation	1,734,861	1,280,034	1,172,434
(Profit)/Loss on sale of asset	(9,874)	(30,900)	354,139
Reversal of loss on revaluation of fixed assets	(731,341)	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	183,191	0	(3,806)
(Increase)/Decrease in inventories	21	0	1,567
Increase/(Decrease) in payables	123,897	200,000	(206,402)
Increase/(Decrease) in provisions	9,885	0	(19,466)
Grants contributions for the development of assets	<u>(1,523,888)</u>	<u>(1,073,328)</u>	<u>(2,608,894)</u>
Net cash from operating activities	<u>1,056,891</u>	<u>755,332</u>	<u>1,485,535</u>
<b>(c) Undrawn Borrowing Facilities</b>			
	<b>2016</b>		<b>2015</b>
	<b>\$</b>		<b>\$</b>
<b>Credit Standby Arrangements</b>			
Bank overdraft limit	250,000		250,000
Bank overdraft at balance date	0		0
Credit card limit	10,000		10,000
Credit card balance at balance date	0		0
<b>Total amount of credit unused</b>	<u>260,000</u>		<u>260,000</u>
<b>Loan facilities</b>			
Loan facilities - current	55,991		58,888
Loan facilities - non-current	151,866		133,972
<b>Total facilities in use at balance date</b>	<u>207,857</u>		<u>192,860</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>		<u>NIL</u>

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

**15. CONTINGENT LIABILITIES**

There are no known contingent liabilities.

**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 is not involved in any joint venture arrangements.

**18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	1,028,507	993,787
Law, order, public safety	989,340	876,862
Housing	138,568	141,768
Community amenities	208,926	120,961
Recreation and culture	8,565,870	8,678,801
Transport	76,747,648	75,632,818
Economic services	143,714	119,959
Other property and services	4,016,230	3,682,507
Unallocated	31,232,821	31,362,155
	<u>123,071,624</u>	<u>121,609,618</u>

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

<b>19. FINANCIAL RATIOS</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current ratio	2.50	3.70	1.56
Asset sustainability ratio	0.77	0.66	2.15
Debt service cover ratio	24.91	8.25	5.45
Operating surplus ratio	(0.02)	0.07	0.01
Own source revenue coverage ratio	0.55	0.62	0.82

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 60 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 \$428,318.

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:

	<b>2016</b>	<b>2015</b>
Current Ratio	2.50	2.95
Debt service cover ratio	31.22	5.67
Operating surplus ratio	0.13	(0.09)

**SHIRE OF CHAPMAN VALLEY**  
**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 \$
Building Commission	4,905	12,079	(15,817)	1,167
CTF	10,413	13,902	(23,050)	1,265
Nomination Deposits	0	400	(400)	0
Contributions - Subdivisions	610,501	15,112	(22,366)	603,247
Post Box Deposits	940	432	(110)	1,262
Standpipe Card	100	0	0	100
Hall Hire Bonds	0	6,970	(5,390)	1,580
Sundry Deposits	5,000	50	(50)	5,000
	<u>631,859</u>			<u>613,621</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 \$
<b>Plant and Equipment</b>								
Transport								
Grader 120H	101,805	62,000	0	(39,805)	102,000	70,000	0	(32,000)
Crew Cab Truck	38,000	18,182	0	(19,818)	40,000	50,000	10,000	0
Backhoe	27,500	32,770	5,270	0	32,000	30,000	0	(2,000)
Tractor 2WD	4,000	5,000	1,000	0	4,100	5,000	900	0
4WD Wagon Toyota Prado	0	32,727	32,727	0	0	29,000	29,000	0
4WD Utility (DCEO)	0	30,000	30,000	0	0	25,000	25,000	0
Utility Suzuki	0	500	500	0	0	0	0	0
	<u>171,305</u>	<u>181,179</u>	<u>69,497</u>	<u>(59,623)</u>	<u>178,100</u>	<u>209,000</u>	<u>64,900</u>	<u>(34,000)</u>

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

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Particulars</b>								
Upgrade Community Centre - Loan 89	47,244	0	7,482	7,482	39,762	39,762	2,988	2,901
<b>Transport</b>								
Plant - Loan 95	22,236	0	22,236	22,236	0	0	696	800
Plant - Loan 96	123,380	0	29,170	29,170	94,210	94,210	4,705	5,000
Plant - Loan 97	0	73,885	0	0	73,885	0	594	0
	<b>192,860</b>	<b>73,885</b>	<b>58,888</b>	<b>58,888</b>	<b>207,857</b>	<b>133,972</b>	<b>8,983</b>	<b>8,701</b>

All loan repayments were financed by general purpose revenue.

**SHIRE OF CHAPMAN VALLEY  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Plant Renewal - Loan 97	73,885	140,199	WA Treasury	Debenture	4	0	2.49%	(73,885)	140,199	0
	<u>73,885</u>	<u>140,199</u>				<u>0</u>		<u>(73,885)</u>	<u>140,199</u>	<u>0</u>

(c) Unspent Debentures

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

(d) Overdraft

Council established an overdraft facility of \$250,000 with the balance at 30 June 2016 being nil. As security for the facility the bank holds a security over the general funds of Council as prescribed by section 6.21 (2) of the Local Government Act as amended or replaced and any other security prescribed by the Local Government Act.

SHIRE OF CHAPMAN VALLEY  
 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
<b>Gross rental value valuations</b>												
GRV	0.0681	243	4,729,946	322,062	16,144	573	338,779	322,062	0	0	0	322,062
<b>Unimproved value valuations</b>												
UV Rural	0.0095	401	178,444,980	1,701,116	5,936	(334)	1,706,718	1,701,116	0	0	0	1,701,116
UV Oakajee Industrial Estate	0.0191	2	9,135,000	174,168	0	0	174,168	174,168	0	0	0	174,168
<b>Sub-Total</b>		646	192,309,926	2,197,346	22,080	239	2,219,665	2,197,346	0	0	0	2,197,346
<b>Minimum payment</b>	<b>Minimum \$</b>											
GRV	525	222	1,608,759	116,550	0	0	116,550	116,550	0	0	0	116,550
<b>Unimproved value valuations</b>												
UV Rural	350	21	1,091,064	7,350	0	0	7,350	7,350	0	0	0	7,350
UV Oakajee Industrial Estate	350	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		243	2,699,823	123,900	0	0	123,900	123,900	0	0	0	123,900
<b>Total amount raised from general rate</b>		<b>889</b>	<b>195,009,749</b>	<b>2,321,246</b>	<b>22,080</b>	<b>239</b>	<b>2,343,565</b>	<b>2,321,246</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,321,246</b>
Movement in excess rates							124					0
<b>Totals</b>							<u>2,343,689</u>					<u>2,321,246</u>

**SHIRE OF CHAPMAN VALLEY**  
**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) \$
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	<u>1,316,099</u>	<u>1,806,954</u>	<u>1,806,954</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	1,518,534	1,700,530	1,700,530
Restricted	1,179,068	1,170,173	1,170,173
Receivables			
Rates outstanding	102,396	125,964	125,964
Sundry debtors	33,298	257,679	257,679
GST receivable	66,287	0	0
Prepaid Expenditure	451	3,730	3,730
Inventories			
Fuel and materials	2,065	2,086	2,086
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(347,615)	(242,733)	(242,733)
Accrued interest on debentures	(1,483)	(1,428)	(1,428)
Accrued salaries and wages	(22,169)	0	0
ATO liabilities	0	(20,964)	(20,964)
Accrued Expenditure	(35,665)	(17,910)	(17,910)
Current portion of long term borrowings			
Secured by floating charge	(55,991)	(58,888)	(58,888)
Provisions			
Provision for annual leave	(160,747)	(136,622)	(136,622)
Provision for long service leave	(158,813)	(178,319)	(178,319)
<b>Unadjusted net current assets</b>	<u>2,119,616</u>	<u>2,603,298</u>	<u>2,603,298</u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(1,179,068)	(1,170,173)	(1,170,173)
Add: Current portion of long term borrowings			0
Secured by floating charge	55,991	58,888	58,888
Add: Employee Liability not required to be funded	319,560	314,941	314,941
<b>Adjusted net current assets - surplus/(deficit)</b>	<u>1,316,099</u>	<u>1,806,954</u>	<u>1,806,954</u>

**Difference**

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

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

**25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR**

The Shire did not impose any Specified Area Rates.

**26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR**

The Shire did not impose any service charges.

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

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

<b>Waivers or Concessions</b>			
<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Type</b>	<b>Discount % or \$</b>	<b>Actual \$      Budget \$</b>
Rates	General	100.00%	0      0
Administration Charge on Instalment	Instalment	100.00%	0      0
			<u>0      0</u>
<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Circumstances in which the Waiver or Concession is Granted and to whom it was available</b>	<b>Objects of the Waiver or Concession</b>	<b>Reasons for the Waiver or Concession</b>
Hall Hire Fee	Community Groups/Community Events	Council may grant a waiver to community groups who reside in the shire who wish to use the hall facilities in association with a community event.	Council considers support of these groups necessary for the overall benefit of the community.
Photocopy Charges	Community Groups/Community Events	Council may grant a waiver to community groups who reside in the shire who wish to use the photocopy facilities in association with a community event.	Council considers support of these groups necessary for the overall benefit of the community.
Private Works Hire Charges	Community Groups/Community Events	Council may grant a waiver to community groups who reside in the shire who request private works within the Shire in association with a community event.	Council considers support of these groups necessary for the overall benefit of the community.
Pool Inspections & Water Testing Charges	Yuna Primary School	Council will grant a waiver to Yuna Primary School for pool inspection and water testing at the Yuna Primary School pool under the condition the school has the pool open outside of school hours during summer.	Council considers support of this as a benefit of the community.
Venue Hire Recreation Facilities	Yuna Primary School/ Nabawa Primary School	Council will grant a waiver to Yuna Primary School and Nabawa Primary School for the use of recreation facilities within the Shire with the exception of the grassed area at Yuna.	Council considers support of this as a benefit of the community.

0 Council has granted a waiver of rates to the Yuna CWA for the 2016/2017 rating year on the basis it is a Council has granted a waiver of instalment charges (\$9) for any pensioner wishing to take advantage of making payment of current rates by instalments.

**SHIRE OF CHAPMAN VALLEY  
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 %	
<b>Instalment Options</b>					
<b>Option One</b>					
Single full payment	10-Sep-15	9	5.50%	11.00%	
<b>Option Two</b>					
First Instalment	10-Sep-15	9	5.50%	11.00%	
Second Instalment	10-Nov-15	9	5.50%	11.00%	
<b>Option Three</b>					
First Instalment	10-Sep-15	9	5.50%	11.00%	
Second Instalment	10-Nov-15	9	5.50%	11.00%	
Third Instalment	10-Jan-16	9	5.50%	11.00%	
Fourth Instalment	10-Mar-16	9	5.50%	11.00%	
					<b>Budgeted Revenue</b>
Interest on unpaid rates					\$ 16,560
Interest on instalment plan					6,582
Charges on instalment plan					4,689
					<u>27,831</u>
					<u>18,600</u>

**SHIRE OF CHAPMAN VALLEY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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<b>29. FEES &amp; CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
General purpose funding	17,965	19,577
Law, order, public safety	11,408	9,098
Health	6,482	8,918
Education and welfare	0	7,292
Housing	18,806	17,383
Community amenities	170,976	178,211
Recreation and culture	86,385	82,863
Transport	2,053	6,153
Economic services	23,210	32,951
Other property and services	21,634	23,086
	<u>358,919</u>	<u>385,532</u>

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

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	19,925	24,510
General purpose funding	408,682	1,263,350
Law, order, public safety	24,195	32,065
Housing	0	1,538
Community amenities	169,852	298,751
Recreation and culture	9,388	10
Transport	862,700	132,440
Economic services	2,806	0
Other property and services	69,636	97,101
	<u>1,567,184</u>	<u>1,849,765</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	115,819	311,690
Recreation and culture	37,500	756,041
Transport	1,170,569	1,541,163
	<u>1,323,888</u>	<u>2,608,894</u>
	<u>2,891,072</u>	<u>4,458,659</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>22</u>	<u>21</u>
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**SHIRE OF CHAPMAN VALLEY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>32. ELECTED MEMBERS REMUNERATION</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	30,071	35,076	22,889
President's allowance	9,751	9,751	6,426
Deputy President's allowance	2,438	2,438	1,607
Travelling expenses	8,950	10,300	7,685
Telecommunications Allowance	8,000	10,300	8,604
	<u>59,210</u>	<u>67,865</u>	<u>47,211</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 CHAPMAN VALLEY**  
**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:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,697,602	2,870,703	2,697,602	2,870,703
Receivables	210,570	393,761	210,570	393,761
	<u>2,908,172</u>	<u>3,264,464</u>	<u>2,908,172</u>	<u>3,264,464</u>
<b>Financial liabilities</b>				
Payables	406,932	283,035	406,932	283,035
Borrowings	207,857	192,860	215,740	199,642
	<u>614,789</u>	<u>475,895</u>	<u>622,672</u>	<u>482,677</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 CHAPMAN VALLEY**  
**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 independent advisers (where considered necessary) before placing any cash and investments.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	26,976	37,526
- Statement of Comprehensive Income	26,976	37,526

**Notes:**

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

**SHIRE OF CHAPMAN VALLEY**  
**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:

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	71%	87%
- Overdue	29%	13%

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

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables  
 Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet 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:

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
	<b><u>2016</u></b>				
Payables	406,932	0	0	406,932	406,932
Borrowings	63,135	161,009	0	224,144	207,857
	<u>470,067</u>	<u>161,009</u>	<u>0</u>	<u>631,076</u>	<u>614,789</u>
	<b><u>2015</u></b>				
Payables	283,035	0	0	283,035	283,035
Borrowings	66,513	140,987	5,073	212,573	192,860
	<u>349,548</u>	<u>140,987</u>	<u>5,073</u>	<u>495,608</u>	<u>475,895</u>

**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:

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b>Year ended 30 June 2016</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debtures	0	0	94,210	73,885	39,762	0	207,857	3.71%
Weighted average Effective interest rate	0.00%	0.00%	3.70%	2.49%	5.99%	0.00%		
<b>Year ended 30 June 2015</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debtures	22,236	0	0	123,380	0	47,244	192,860	4.46%
Weighted average Effective interest rate	5.46%	0.00%	0.00%	3.70%	0.00%	5.99%		

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## INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY

### REPORT ON THE FINANCIAL REPORT

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

#### Management's Responsibility for the Financial Report

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

#### Auditor's Responsibility

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

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

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

#### Opinion

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY (CONTINUED)**

**Report On Other Legal and Regulatory Requirements**

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 62 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i. reasonably calculated; and
  - ii. based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

MOORE STEPHENS  
CHARTERED ACCOUNTANTS



GREG GODWIN  
PARTNER

Date: 24 November 2016  
Perth, WA

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

**RATIO INFORMATION**

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

	2016	2015	2014
Asset consumption ratio	0.98	0.83	0.78
Asset renewal funding ratio	0.62	0.67	0.70

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

# **MANAGEMENT REPORT**

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24 November 2016

# MOORE STEPHENS

The Shire President  
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Dear Cr Collingwood

## MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2016

We advise that we have completed our audit procedures for the year ended 30 June 2016 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

## COMMENT ON RATIOS

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends.

By providing this overview, we aim to improve the understanding of the trends and how they interact. This is beneficial for the allocation of scarce resources and planning for the future.

Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and our commentary is provided on the following pages.

	Target Ratio <sup>1</sup>	Shire's Adjusted Ratios						Shire's 5 Year Trend <sup>2</sup>	4 Year Average <sup>3</sup>	
		Actual 2016	2016	2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	2.50	2.50	2.95*	1.56*	1.84	1.16	↑	3.31	2.29
Asset Sustainability Ratio	≥ 1.1	0.77	0.77	0.66	2.15	1.47	2.80	↓	1.27	1.23
Debt Service Cover Ratio	≥ 15	24.91	31.22*	5.67*	5.45*	1.22	5.74	↑	12.49	14.01
Operating Surplus Ratio	≥ 0.15	(0.02)	0.13*	(0.09)*	0.01*	(0.37)	0.11	↑	0.03	(0.02)
Own Source Revenue Coverage Ratio	≥ 0.9	0.55	0.55	0.62	0.82	0.51	0.47	↓	0.59	0.68
Asset Consumption Ratio	≥ 0.75	0.98	0.98	0.83	0.79	0.83	N/A	↑	0.63	1.16
Asset Renewal Funding Ratio	≥ 1.05	0.62	0.62	0.67	0.71	0.69	N/A	↓	0.88	1.00

<sup>1</sup>Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

<sup>2</sup>The 5-year trend compares the adjusted 2016 ratio to the average of the adjusted ratios for the last 5 years (except for the Asset Consumption and Asset Renewal Funding Ratios which are a 4-year trend).

<sup>3</sup>The average in relation to the Regional and State comparisons is a 4 year average of 2012, 2013, 2014 and 2015.

\* Adjusted for "one-off" timing/ non-cash items.

## COMMENT ON RATIOS (CONTINUED)

### Adjustments relating to 2016

Two of the ratios in the accompanying table were distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGs) totaling \$428,318 received on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016.

This item is considered "one-off" timing in nature and was adjusted when calculating the ratios in the above table (as shown by "\*\*") as were relevant comparative year ratios (which had been affected by similar "one-off" items).

### Regional and State 4 Year Averages

Regional and State 4 year averages have not been adjusted for "one-off" items even though these items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of a trend.

### Commentary on specific ratios

- **Asset Sustainability Ratio**

This ratio measures the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation).

Although the ratio has increased from the previous year, it is below both the regional and state averages, and is trending downwards over 5 years.

As suggested in our management letter last year, a review of the depreciation rates and asset valuations was performed during 2015/16 to ensure they are reasonable and are generating a reliable representative depreciation expenditure. This has resulted in the improved ratio of 0.77, however this is still below target levels.

A ratio less than 0.90 indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time. This may require a review of operations with a view to assessing the revenue raising capacity necessary to support the ongoing asset base.

Council and management should continue to monitor this ratio in the future as you attempt to fully understand the trend and level of this ratio.

- **Asset Renewal Funding Ratio**

The Asset Renewal Funding Ratio indicates whether Council's planned capital renewal expenditure over the next 10 years per its Long Term Financial Plan (LTFP) is sufficient to meet the required capital renewal expenditure over the next 10 years per its Asset Management Plans (AMP).

This ratio continues to be below the target levels and both the Regional and State 4 year averages. It reflects planned capital expenditure of 62% of the required capital expenditure. When the planned capital expenditure in the LTFP is compared to the required capital expenditure in the AMP, a ratio of 0.62 indicates Council has a funding gap of 38% being the portion of required capital expenditure Council's LTFP indicates will be unfunded.

Notwithstanding this, as both the LTFP and AMP are outdated, these should be reviewed and updated to help ensure valid comparisons can be made.

Once the above exercise has been completed, Council should review required service levels of assets based on available funding

## Summary

Overall, as a general comment, the Shire's ratio position appears to be stable in some areas (with improvement noted in most ratios), but has declined in other areas (In particular, Own Source Revenue Coverage Ratio and Asset Renewal Funding Ratio).

In addition, the Asset Sustainability, Own Source Revenue Coverage and Asset Renewal Funding Ratios appear to be trending downwards over the longer term and this should be considered moving forward.

Particular attention should be paid to the asset ratios to determine if changes are required or if the ratios are reflective of the current short to medium term asset management approach of the Shire (based on condition assessments).

We would also like to take this opportunity to stress one-off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Mid-West region when comparison to other, more similar local governments, may be more relevant.

If you are interested in such an expanded report, please contact us.

## UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin  
Partner

Moore Stephens

Encl.