

Shire of Lake Grace

Annual Report



2015 ~ 2016





Shire Snapshot

Lake Grace is a rural shire situated in the south-east of Western Australia incorporates the farming communities of Lake Grace, Newdegate, Lake King and Varley. It is some 320 km from Perth and 246 from Albany. The Shire covers approximately 10,747 square kilometres and has a population of approximately 1,456.

Photographs seen in this publication were provided by the Shire of Lake Grace and courtesy of the Lake Grace Camera Club.



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To Our Community Members

Lake Grace Shire's Vision

Into the future, our vision for the Shire of Lake Grace is to be:

- *A regional centre incorporating other communities, and a major hub for a range of services including Agriculture, Education, Health and law Enforcement*
- *An employer of choice operating with a skilled, effective workforce*
- *A financially sustainable organisation operating from a diverse funding base*
- *A leader in the operation of an efficient and effective roads and transport system*
- *An effective manager of community assets*
- *A leader in water, waste and natural resource management*

Lake Grace Shire Mission

To remain and grow as a sustainable and economically viable community.

We will do this through:

Being dynamic, effective, credible and visionary leaders providing a driving force through the Council of the Shire of Lake Grace to become a regional "Centre of Excellence" Delivering targeted community services through a funding model that maintains a community's identity



Lake Grace Shire Values

- | | |
|----------------|--|
| Value 1 | <i>Partnerships valuing the growing of trust and respect</i> |
| Value 2 | <i>Recognition and support of talent and creativity</i> |
| Value 3 | <i>Encouraging learning and knowledge</i> |
| Value 4 | <i>Supporting a "can do" approach</i> |

Strategic Community Plan

Connecting with Our Future 2023

The Shire of Lake Grace's Strategic Community Plan captures the Shire community's collective vision, values, aspirations and priorities for the next ten years. Community engagement laid the foundation to building the Shire of Lake Grace Strategic Community Plan. Residents in each town of the Lake Grace Shire, elected members and shire staff discussed what people currently value, what they want for their future and what they see needs to be done to get there.

Summary of Objectives and Outcomes

With each of the four key areas of community interest economic, social, civic leadership and environment key objectives and outcomes were defined.

The summary of these objectives and outcomes are listed in four key areas;

Economic

"To have a prosperous and diversified economy and well-serviced built infrastructure to foster the district community towards 2022"

Social

"To have a shire community and life-style that is genuinely valued, healthy and connected together to sustain the living we have come to expect in our district."

Civic Leadership

"To have skilled and confident leaders with fair and equitable community values."

Environment

"To be an outstanding example on how we sustain and care for our unique environment."



Welcome

President's Report

It is with pleasure that I present the 2015/16 Annual Report for the Shire of Lake Grace.

The Shire of Lake Grace had a few changes in the 2015/16 period with Cr Dean Sinclair not renewing position on Council. On 17 October 2015 Ordinary Elections were carried out with one vacancy available for the

Rural Ward. Cr Roz Lloyd was appointed on 15 December 2015 to fill the vacancy in the Rural Ward.

In 2015/16 there was a change in Shire President with Andrew Walker withdrawing from his position from 23 March 2016. Jeanette De Landgraff was elected as Shire President at the March 2016 Ordinary Council Meeting. I would like to thank Cr Walker for his time as President over the years.

There was a restructure to the Organisational Structure and Workforce Planning for the Shire with changes to both staff and roles. I would like to thank the CEO for his time and effort with the restructure. The recruitment of a new CEO was also carried out in the 2015/16 financial year.

The Shire of Lake Grace has continued to forge solid relationships with its neighbouring shires through partnerships such as the 4WDL (Williams, Woodanilling, Wagin, West Arthur and Dumbleyung) and voluntary regional organisation of Councils (VROC). This union has again successfully utilised funding from State and Commonwealth level to jointly provide over fifty five independent living units across the region. The Official Opening to the Newdegate Independent Living Units took place on 4 May 2016 by the Honorable Terry Waldron MLA. Three units were also commissioned in 2016 in Lake Grace.

The Shire continues to move forward with its 'shared service' approach through partnerships with neighbouring Shires in relation to provision of Environmental Health, Building and Fire & Emergency Services. Roe Health services based in Corrigin provides the environmental health service with the Town of Narrogin providing a building service. This way of doing business ensures the Shire receives professional services whilst maximising value for money in terms of the ratepayer dollar.

The Shire's Planning services continue to be provided by Urban & Rural Perspectives with senior partner Mr Joe Douglas having a long term association with the Shire since the 1990s and his experience with regard to planning matters within the Shire is invaluable. Urban & Rural Perspectives also provide a service to several of our neighbouring shires.

Newdegate continue to hold successful Field Days. The Shire of Lake Grace is proud to be a significant sponsor to the annual Field Day and congratulate the Newdegate community for their commitment in being able to repeatedly succeed at holding this large event.

The Newdegate Active Precinct submitted a concept plan in June 2016 for Council to endorse a Skate Park / Playground / Park at 11 Maley Street, Newdegate. Further grants are being sought for funding to this project.

The Lake King Progress Association submitted a proposal to the Shire for update of their multi-purpose courts in Lake King. Further grants are being sought for funding to this project.

Thank you to the CEO, Councillors and staff for the efforts of the last twelve months.

Jeanette De Landgrafft

President



Official Opening Newdegate Independent Living Units

Elected Members



Councillor Name	Ward	Term of Office Expires
President Jeanette De Landgraftt	Rural Ward	October 2017
Vice President Cr Steven Hunt	Lake Grace Town Ward	October 2019
Councillor Len Armstrong	Newdegate Town Ward	October 2017
Councillor Ross Chappell	Rural Ward	October 2017
Councillor Deborah Clarke	Rural Ward	October 2019
Councillor Roslyn Lloyd	Rural Ward	October 2019
Councillor Allan Marshall	Rural Ward	October 2019
Councillor Murray Stanton	Lake Grace Town Ward	October 2017
Councillor Andrew Walker	Lake Grace Town Ward	October 2017



Neville Hale

Chief Executive Officer

Executive Staff Reports

Chief Executive Officer Report

The Shire of Lake Grace has, over the years, found it challenging to maintain local general practitioner services and ensure both the community and Hospital have access to an appropriately qualified doctor. However, prior to the departure of Dr Francois Jacobs in November 2015, the Shire, through its involvement with the Eastern Wheatbelt Primary Care Project and associated Wheatbelt General Practice Business Support Service, engaged “First Health”, an Albany based medical group, to assist with the general practitioner recruitment, practice management and clinical support for the Lake Grace Medical Centre.

I am pleased to report the arrangement with “First Health” has proven to be very successful, having initially secured the service of Dr Manus Lochner through to July 2016. First Health took responsibility for the day to day operations of the Practice, including staff and managed to achieve a better than expected outcome in respect to net costs to the Shire. Moreover, a replacement doctor has been secured who together with his wife, a qualified nurse, should be in Lake Grace early in the new financial year.

Regrettably, the past year has seen some disappointing financial outcomes in respect to the Independent Living Units (ILU's) in Newdegate and the completion of the Lake Grace Recreation Centre with funding proving to be difficult to secure. In regard to the Newdegate ILU's, the Shire had to terminate the contract with the builder and direct the Shire's building construction team to take over the completion of the four accommodation units. It was pleasing that the building team, together with assistance from local contractors, were able to rectify a number of substandard works and go on to complete the units, albeit at considerable extra cost. Notwithstanding, it was pleasing to see so many people in attendance when the units were opened in early May 2016.



Administration

The most significant achievement for 2015/16 was the completion and adoption by Council, of the Shire's organisation structure review in September 2015. This review, undertaken in association with consultants LG People and Risk ID, with funding provided by the Department of Local Government and Communities, has seen a redistribution of staff resources to engage additional service staff and discontinuation of a management position.

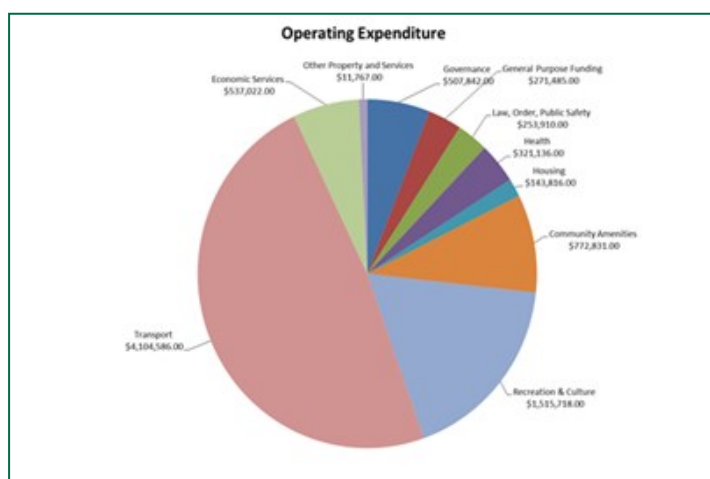
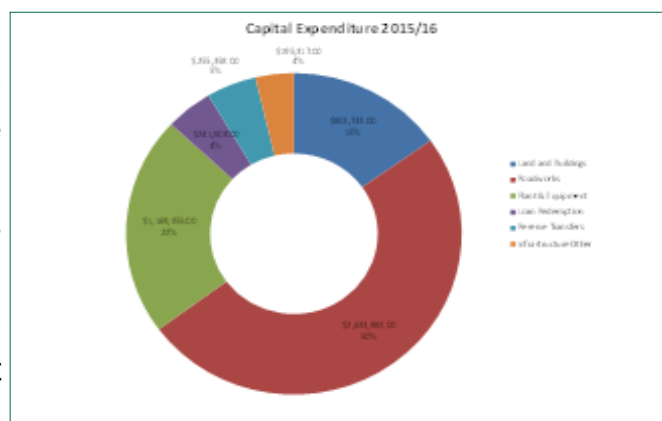
The organisation restructure meant the position of Manager Community Services was discontinued following the completion of Ms Lee Holben's contract of employment. I wish to extend the community's appreciation for the good works Lee achieve during her time with the Shire.

Following the departure of Peter Dittrich in September 2015, as the former Acting Manager Corporate Services, the Shire has been fortunate to secure the services of Ms Denise Gobbart as Peter's replacement. Denise has many years' experience in local government and an outstanding record in financial management. Denise will step into the role of Acting Deputy CEO as from 1 July 2016 and has been appointed to the position of CEO early in the new financial year. Congratulations Denise.

The 2015/16 financial year saw the departure of long term employees Rohan Bishop, Tracie Buntrock, Linda Trawinski and Warrick Millar and the appointments of Reece Lay as Tracie's replacement and Victoria Gracheva as Linda's replacement. During the year we also welcomed Jason Lip as our new Technical Officer and Natasha Bowman as our Governance Officer. Chamila Kariyawasam and Danielle Robertson were here for a short period of time but left to pursue other interests.

Financial Management

The Shire continues its efforts to improve financial management practices and Denise Gobbart, the Acting Manager Corporate Services, has been busy addressing a backlog of rates issues having successfully rectified cash flow and financial management practices that impact on the various financial year ratio analysis that drives local governments these days.



The Shire continues to monitor its Asset Management Plans in its effort to secure long term financial sustainability whilst meeting the future service needs and capital works required to meet the long term goals and aspirations of the community.

Projects

Notwithstanding the difficulties experienced in regard to the Newdegate ILU's and the additional \$303,000 cost to complete that project, including upgrade of the Newdegate Lesser Hall, the Shire has successfully secured \$1,076,000 through the Wheatbelt Development Commission's Southern Investment Initiative Fund, for the construction of three ILU's in Lake Grace on which work has commenced.



The Lake Grace stormwater harvesting of surface water capture and management project saw the installation of two solar water pumps in the CBH catchment dams and the installation of new pipes to transfer water from the South Street sump to the recreation dam. Works are yet to be completed, with the installation of rock retaining walls along the Gorge Rock Road drain to be done.

Other projects undertaken

- Completion of Stage 1 of the Lake Grace Recreation Centre
- Completion of the Lake King Tractor Museum
- Upgrade of Lake Grace Swimming Pool changerooms (in progress)
- Road works programme of \$3.4 Million, including road maintenance

In addition to the above, Shire staff continue to provide day to day services in respect to vehicle and individual licencing, planning and development applications, building and health services and respond to the general enquiries of the public. For this, often unrecognised service, I extend my appreciation to all staff.

I would like to thank both former President Andrew Walker and President Jeanette DeLandgraft, Councillors, Senior Management and staff for their support, commitment and efforts over the past twelve months and wish them all the best for the future

Neville Hale

Chief Executive Officer



Denise Gobbart

A/Manager Corporate Services

Corporate Services Report

I came to the Shire of Lake Grace late September 2015 due to Peter Dittrich, Acting Manager Corporate Services being unable to continue in his position.

When accepting the invitation my intention was to 'help out' for a time and then move on. However, once here, it became evident that Lake Grace was in need of stability and given my financial experience saw an opportunity to improve the processes and hopefully make a difference to the operations of the organisation. In making

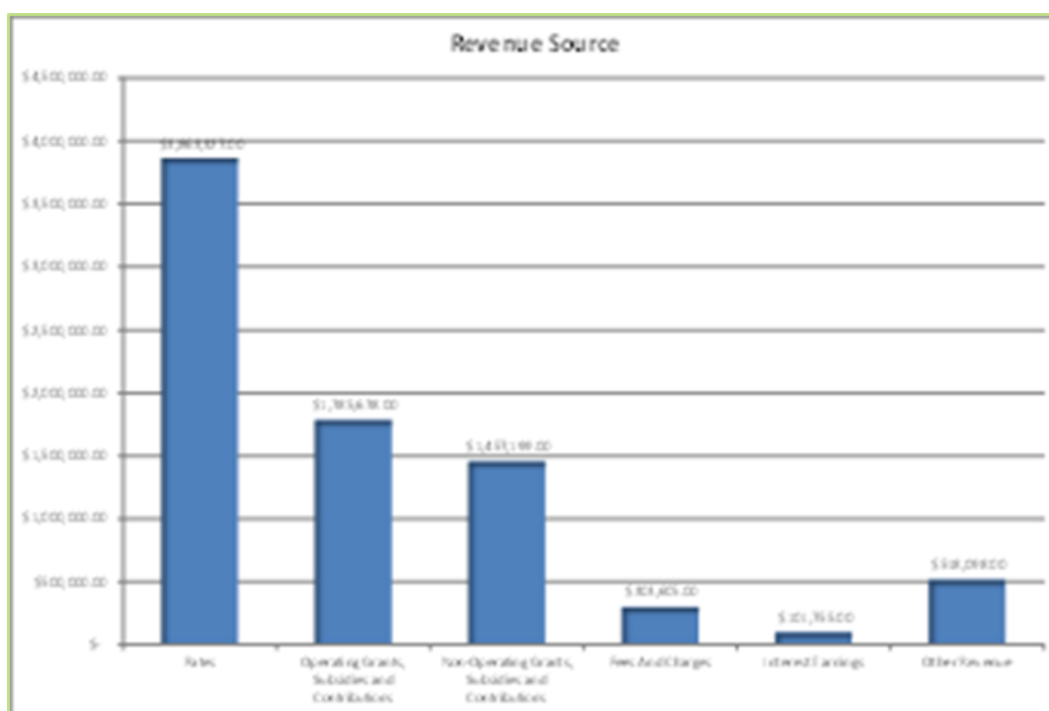
improvements in these areas has assisted staff in understanding their roles and the processes required with the intention of also reflecting the Shire positively to the wider community.

Some areas that have been addressed during 2015/16 are;

- Appointment of Auditors – Moore Stephens Expiry 30 June 2018
- Four year financial review
- Financial, payroll and rates process improvements
- Progress Newdegate Independent Living Units and Lesser Hall Project
- Asset Management and Valuations

Denise Gobbart

A/Manager Corporate Services





Louka Shopov

Manager Infrastructure

Infrastructure Services Report

The Infrastructure Services Department was responsible for planning implementation and completion of the following key projects and services during 2015/16.

Some of the key projects delivered during the year

On an administration level, 2015-2016 was a busy year requiring a significant level of planning and reporting in regards to application and implementation of state and federal grants like Royalties for Regions, Regional Road Group, Roads to Recovery and Commodity Routes. In addition, work on the Asset Management Improvement Strategy for the Integrated Planning Process was further developed.

Newdegate Independent Living Units (100% completed)

Newdegate Lesser Hall Upgrade (99% complete)

Lake Grace Stormwater Harvesting Project (95% complete)

Lake Grace Independent Living Units (10% complete)

The renewal of Shire contractual arrangements

was also addressed with new contracts tendered for the delivery of services including the supply and laying of bitumen seal, supply and delivery of aggregate, reconstruction of 19 km of rural roads in the Eastern part of the Shire, with maintenance grading of Newdegate and Lake King areas continuing forth from the previous year's contract.

Infrastructure

Demolition of Newdegate Masonic Lodge

New footpath construction Lake Grace Bennett & Carruthers Streets Newdegate Maley Street

Hot mix application at various intersections in Lake Grace

During the year, road maintenance grading contractors in the Lake King area attended 1,236 km of roads. The Newdegate contractor has graded 2,036 km of roads and the Shire's own maintenance grader—looking after the Lake Grace area—has covered 1,299 km.

198,000 m³ of gravel was pushed up, placed, shaped and compacted over this past financial year of 2015-2016. In addition, several new machinery units were purchased as part of the

Shire's plant replacement program. The works crews now have access to a new motor grader, and the two old DAF trucks were sold to make way for two new Mack Granite prime movers.

Bitumen sealing
of 12 km of rural
roads

Building

Parks &
Gardens

Reconstruction
of 99 km of
gravel roads

Infrastructure Team looks forward to delivering high quality services to the community whilst planning for and delivering future projects.

I wish to thank all Shire crews and external contractors for their effort and commitment in achieving the positive results during the past year.

Louka Shopov
Manager of Infrastructure



New Mack Granite Prime Mover



Lee Holben

Manager Community Services

Community Services Report

Community Services is responsible for a number of areas including: Manage and oversee staff associated with the delivery of community and regulatory services within the Shire of Lake Grace. Responsible for the financial management, including the preparation, compilation and monitoring of annual and project budgets for aged care, seniors, youth, disability, art, heritage, sport, Emergency Services, tourism, libraries, Community and Over 55 housing in conjunction with Great Southern Community Housing, cleaning, maintenance and asset management of all community facilities.

Projects for 2015/2016 have included:

- Attending Progress and Development meetings at Lake Grace, Newdegate, Lake King and Varley. Provision of Library servicers at Lake Grace, Newdegate and Lake King.
- In conjunction with the Newdegate Rejuvenation Project Committee acquired furniture for the new Senior's area at the Newdegate Lessor Hall.
- Continued working with the Lake Grace Visitor Centre on the development and promotion of tourism within the Shire.
- Continued working with representatives from the ROE tourism group to promote Lake Grace state wide. This includes an audio tape of six locals telling their stories of living and working in Lake Grace.
- Working on the development of two new Lake Grace Tourist brochures.
- Continued working the Great Southern Community Housing to provide financially accessible housing to low to middle income earners within the Shire.
- In conjunction with the Department of Sport and Recreation coordinated the local component of KidSport.
- Worked with the Newdegate Community on the proposed Newdegate Skate park facility.
- Participated in the Newdegate Field Day



Events

- Worked with community organisations for Australia Day in Lake Grace, Newdegate, Varley and Lake King.
- Local Government week Banner in the Terrace in conjunction with the Lake Grace Artists Group.
- Heritage display of the John Holland Track for Heritage Week in conjunction with the Lake Grace Regional Arts Space and the Hainsworth Committee.
- Seniors Film day in conjunction with the Lake Grace Artists Group
- Two touring Shows on the Go, "Everything must Go and Trash Test Dummies" in conjunction with Country Arts Network and the Lake Grace Artists Group.
- Family Fun Day coordinated by the Lake Grace Visitor Centre.
- Participated in the Australia wide "Garage Sale": for the second year.
- Litter Pick in conjunction with the Lake Grace Community Resource Centre.

Lee Holben

Manager Community Services

Celebrating Seniors





Josiah Farrell

Building Surveyor Trainee

Building Services Report

The role of the Building Department is to oversee all building and demolition work proposed for the whole district. This includes but is not limited to:

- Processing applications ensuring the plans comply with the National Construction applicable Building Standards and relevant regulations
- Issue Permits and Certificates
- Conducting inspections, checking the new development complies with the appropriate standards
- Check private swimming pool safety barriers and
- Enforcement of the Building Act 2011

The role of the Building Department is also to provide building advice to the Ratepayers and Residents assist them to comply with the Building Act 2011

The Shire of Lake Grace has an agreement with the Town of Narrogin for the provision of a Building Surveyor service using Mr Josiah Farrell to carry out the above and visit the shire district once a fortnight.

During the 2015-2016 financial year, 25 Permit applications to the development value of \$3,473,582.47 were submitted to the Shire of Lake Grace, all of which a Building Permit was issued.

The following table are the Fees collected by the Shire of Lake Grace in relation to the approved Building Permits.

SHIRE OF LAKE GRACE	TOTALS	FEE'S THE SHIRE KEEPS	GST
Developments	\$3,473,582.47		
CDC-CBC-CCC	\$2,787.89	\$2,534.45	\$253.44
Building Permits	\$7,862.97	\$7,862.97	
Building Commission	\$5,366.92	\$109.20	\$10.80
BCITF	\$5,374.81	\$75.00	\$7.50
Total Fee's	\$21,392.59	\$10,581.62	\$271.74

Josiah Farrell

BUILDING SURVEYOR TRAINEE



Lauren Pitman

Environmental Health Services Report

RoeHEALTH Environmental Health Services, Environmental Health Officer Lauren Pitman, has undertaken Environmental Health work in accordance with the RoeHEALTH Operational Guidelines during the 2015/16 period. The work has been based on a 3 day, or 23 hours per fortnight schedule.

A summary of work performed:

WASTE

- Lake Grace Landfill inspections and submission of Annual Environmental Report to DER
- Liaison with DER regarding Lake Grace Landfill and compliance issues
- Amended licenses
- Newdegate Landfill inspections and submission of Annual Environmental Report to DER
- Newdegate Landfill groundwater bore sampling



WATER

- Ensure Lake Grace and Newdegate Public Pools have water samples as per the Code of Practice for Aquatic Facilities and the Health (Aquatic Facilities) Regulations 2007
- Sampling of waste water treatment ponds at Lake Grace Waste Water Treatment Plant
- Assessments and approval of onsite effluent disposal systems
- Correspondence with ERA regarding sewerage scheme compliance, and assisting the Technical Officer in the role of sewerage infrastructure compliance.



FOOD

- Food premises inspections in Lake Grace, Newdegate, Lake King and Varley
- Newdegate Field Days food stall inspections
- Maintained Food Business Register
- Compilation of a Food Act 2008 report required annually by the Department of Health
- Food Unit.

SAFETY

- Caravan Park inspections at Newdegate and Lake King Caravan Parks
- Lodging House inspections at Lake King and Newdegate
- Liaison with Committee for Newdegate Field Days

MISCELLANEOUS

- Advice or comments given to residents of the Shire of Lake Grace in relation to
- Environmental Health issues
- Dealt with complaints from the public
- Trading in thoroughfare applications
- Assistance with health annual fees and charges schedule development

Lauren Pitman

ENVIRONMENTAL HEALTH OFFICER



INTEGRATED PLANNING AND REPORTING

Integrated planning and reporting gives local governments a framework for establishing local priorities and to link this information to operational functions.

In accordance with the Local Government Act 1995 all local government of Western Australia are required to have developed and adopted a Strategic Community Plan and a Corporate Business Plan. These two documents are supported by informing strategies, including Long Term Financial Plan and Workforce Planning.

Through extensive community engagement and workshops the Shire of Lake Grace has produced the following documents to comply with the Local Government Act 1995;

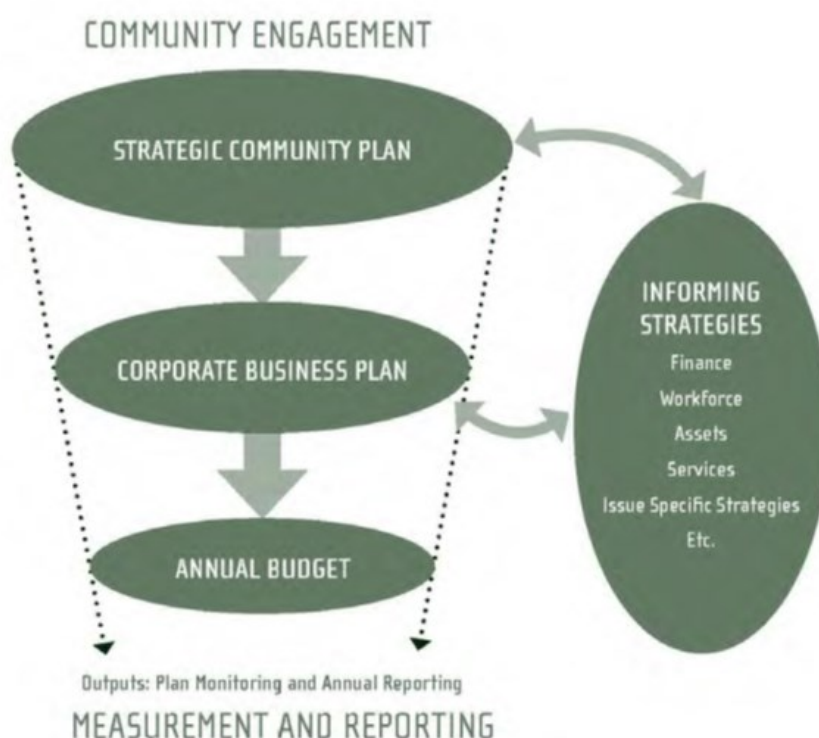
Strategic Community Plan - Connecting With Our Future 2023

- **Corporate Business Plan 2014 – 2018**
- **Long Term Financial Plan 2014 - 2029**
- **Workforce Plan 2014**

The Corporate Business Plan 2014 – 2018 together with the Shire of Lake Grace Strategic Community Plan “Connecting with Our Future 2023” is the Shire of Lake Grace’s Plan for the Future and has been prepared to achieve compliance with the Local Government (Administration) Regulations 1996. Development of the plan has also been influenced by the Department of Local Governments, Framework and Guidelines for Integrated Planning and Reporting.

The Strategic Community Plan was adopted by Council at its Ordinary Council Meeting in November 2012. To comply with the Integrated Planning and Reporting requirements, a desktop review of the Shire’s Strategic Community Plan was undertaken and modifications were endorsed by Council in February 2014.

During this review the plan was rationalised with a number of community objectives significantly reduced and key performance measures included.



A full review of the Strategic Community Plan is to be conducted in 2017.

Measuring Outcomes

Focus Areas have been defined in the Strategic Community Plan for each of the four key areas of community interest being economic, social, civic leadership and environment. Key performance indicators have been determined for each objective to assist with determining the objectives are being achieved.

Economic Focus Area:		
To have a prosperous and diversified economy and well-serviced built infrastructure to foster the district community towards 2022.		
Objectives	Key Indicators	Results & Actions
Maintain community built infrastructure and provide an effective and efficient transportation network.	Improved service delivery to users of facilities and a more robust road network	Improved service delivery to users of facilities and a more robust road network valued at \$3.4 million including maintenance Ongoing road upgrades with 12 kms of bitumen seal of rural roads and reconstruction of 99 kms of gravel roads.
Provide an environment that supports business and investment	Unemployment rate	1.9% of unemployment rate for Shire of Lake Grace compared with Regional unemployment of 2.3% Ref: Profile ID 2011 ABS Statistics
Engage with the community to develop sustainable budget	Long term planning that considers the Strategic Community	Community consultation and public comment sort for community needs Community budget requests
Improved delivery of existing or new health and support services	Number of new services offer and uptake of services offered	Agreement to source Doctor with First Health Service Pty Ltd with Eastern Wheatbelt Primary Care Project in conjunction with neighbouring Shire's and Rural Health West. Result to assist with General Practitioner, practice manager and clinical support for Lake Grace and Newdegate Medical Centres




Environment Focus Area:

To be an outstanding example on how we sustain and care for our unique environment.

Objectives	Key Indicators	Results & Actions
Mitigate the Shire's waste and carbon		Participate in DrumMuster programs
Improve waste management practices		Lake Grace and Newdegate Landfill inspections and submissions of Annual Environmental Report to DER Works relating to Lake Grace Landfill compliance Newdegate Landfill groundwater bore sampling
Improve water security and use of non-potable water	% decrease of potable water use	Continuation of water harvesting project lake Grace Townsite 95% complete. Installation of two solar water pumps in the CBH catchment dams and the installation of new pipes to transfer water from the South Street sump to the recreation dam. Works are yet to be completed, with the installation of rock retaining walls along the Gorge Rock Road drain to be done.
Manager and protect the natural environment	Local Planning Strategy provides adequate control over future land use	Assessments and approval of onsite effluent disposal systems Processing applications ensuring the plans comply with the National Construction Code, applicable Building Standards and relevant regulations and issuing Permits and Certificates Conducting inspections, checking the new development complies with the appropriate standards Enforcement of the Building Act 2011



Social Focus Area: To have a shire community and life-style that is genuinely valued, healthy and connected together to sustain the living we have come to expect in our district.

Objectives	Key Indicators	Results & Actions
Maintain and improve the Shire of Lake Grace as an attractive place to live	Maintain health services	Provide General Practitioner fully furnished house and vehicle. Maintain both Lake Grace & Newdegate Medical Centres
Provide a supportive social environment	Emergency services operate effectively Recreation facilities are well used	Administration support for Local Bushfire Advisory Committee and Local Emergency Management Committee Updating and maintaining recreation facilities across the shire including changerooms at Lake Grace Swimming Pool
Promote a greater sense of community across the Shire	Events held for all age groups 	Obtain grants to support Australia Day, Seniors and Youth activities across the Shire. Promoting travelling road shows through Country Arts WA. Support of Men's Shed set-up in Lake Grace and the completion of the Lake King Tractor Museum

Civic Leadership Focus Area:

To have skilled and confident leaders with fair and equitable community values.

Objectives	Key Indicators	Results & Actions
Elected Members provide visionary leadership	Integrated plans to reflect community service level expectations	Integrated plans are implemented and reviewed as required to meet long term goals and aspirations of our local communities
Foster a united approach between our communities	Quarterly joint meetings of Shire and progress/development associations. Presidents and Secretaries to discuss the required structure and policy framework for delivery of shared	Senior Management and Councillors participate in community meetings on a regular basis Delivery of shared services is met through various groups; 4WDL, Voluntary Regional Organisation of Councils, Environmental Health and Building Services and Medical Services

Statutory Reports

National Competition Policy Reporting Requirement

Competition Reform

National Competition Policy (NCP) is designed to enhance the efficiency and effectiveness of public sector agencies, and lead to more efficient use of all economic resources. There are a number of specific requirements placed on Local Government in the areas of competitive neutrality, legislation review and structural reform. Each local government is required to report its progress in achieving NCP reforms in its annual report.

Competitive Neutrality

The principal of competitive neutrality is that government businesses should not enjoy a competitive advantage, or disadvantage, simply as a result of their public sector ownership.

Measures should be introduced to effectively neutralise any net competitive advantage flowing from government ownership. Competitive neutrality should apply to all business activities which generate a user pays income of over \$500,000 unless it can be shown it is not in the public interest. A public benefit test is used to determine if competitive neutrality is in the public interest. This involves assessing the benefits of implementing competitive neutrality against the costs of the benefits. If the benefits exceed the costs, competitive neutrality should be implemented.

Council's annual reports must show that a public benefits test has been conducted for all of Council's significant business activities. They should also provide information on how a decision was reached to implement or not implement competitive neutrality in each case. Should competitive neutrality be found to be in the public interest, the annual report must show the schedule for implementing it over the coming year. As the Shire of Lake Grace does not have any "Significant Business Activities" with an annual user pays income exceeding \$500,000 per annum, this negates any further action or reporting obligations.

Structural Reform

The objective of structural reform as relating to public operated monopolies is to introduce competition, or as a minimum, remove barriers to new businesses competing in the market. As the Shire of Lake Grace does not operate any monopoly type business activities nor did it privatise any such activities during 2015/16, this negates any further action or reporting obligations.

Legislation Review

All local authorities are required to assess which of their Local Laws (formerly known as By-Laws) might impact on competition and to conduct a review of each to determine how any restrictive practices created by the Local Law might be overcome.

Reporting requirements to be disclosed in the Annual Report include;	
1	<p>A forward strategy for all Local Laws still to be reviewed, including a timetable of review and reform for these Local laws.</p> <p>On 15 December 2015 the following Shire of Lake Grace Local Laws were gazetted:</p> <ul style="list-style-type: none"> • Activities on Thoroughfares Amendment Local Law 2015 • Bush Fire Brigades Amendment Local Law 2015 • Cemeteries Amendment Local Law 2015 • Dogs Amendment Local Law 2015 • Extractive Industries Amendment Local Law 2015 • Fencing Amendment Local Law 2015 <p>On 21 June 2016 the following Shire of Lake Grace Local Laws were gazetted:</p> <ul style="list-style-type: none"> • Local Government Property Local Law 2015 • Standing Orders Local Law 2015

Disability Services Plan

Local Governments in Western Australia have been required to have Disability Service Plans (DSP's) as part of the Disability Services Act Regulations 2004 and the Disability Services Amendment Regulations 2013.

The Shire of Lake Grace Disability Services Plan was first adopted in 1995. The Disability Services Act and Regulations 2004 require the plan to be reviewed every five-year period and that a current DAIP is available on the website.

The Shire of Lake Grace reviewed its Disability Access and Inclusion Plan May 2014

and added a new seventh outcome to the plan namely;

“People with disability have the same opportunities as other people regarding employment practices (recruitment and retention) by a public authority”.

Disability Services Commission has also changed the wording:

“People with disabilities” to “People with disability”.



These changes were made to the Shire's 2014 - 2019 Disability Access and Inclusion plan and after a Community Consultation period were adapted by Council, then forwarded to the Disability Services Commission for adoption.

Council's 2014 - 2019 Disability Access and Inclusion Plan aims to make a positive difference in the lives of people with disability, their families and carer's by identifying access barriers and outlining strategies to address those barriers.

The Disability Access and Inclusion Plan describes Council's current functions, provides details of existing Council facilities and identifies future requirements for the provision of adequate services for people with disability.

During the 2015/2016 Financial year renovations to the Lake Grace Pavilion included new ramp access to the main doors, disabled toilets and showers and the ability to access the grounds.

Newdegate Independent Living units were completed. The four units are designed for over 55's and include all elements of access including: appropriate showers, taps, no steps etc. During this project the Newdegate hall was also renovated as a meeting room for the residents of this village. This included double doors into the entry, trestle tables that are on wheels for easy moveability.

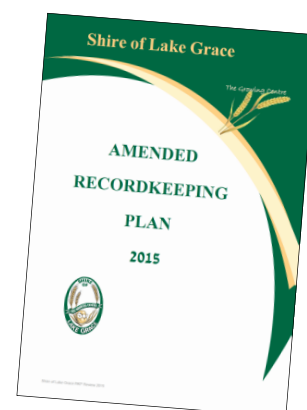
Lee Holben

Manager Community Services

Recordkeeping Plan

This document is presented to the State Records Commission in accordance with Section 19 and 28 of the State Records Act 2000 (the Act). Section 19 of the Act requires that each government organization have a record keeping plan that has been approved by the State Records Commission. Section 28 (5) of that Act requires that no more than 5 years must elapse between approval of a government organisation's Recordkeeping Plan and a review of it.

The purpose of this Recordkeeping Plan is to set out the matters about which records are to be created by the Shire of Lake Grace and how it is to keep its records. The Recordkeeping Plan is the primary means of providing evidence of compliance with the Act and the implementation of best practice recordkeeping within the organisation. In April 2015 Shire staff carried out the review in consultation with the State Records Commission staff and identified that the recordkeeping processes and practices described in the Recordkeeping Plan 2009 had changed in some areas and therefore, an amendment to the Recordkeeping Plan was required. The five (5) year review of the Shire of Lake Grace Recordkeeping Plan was submitted to the State Records Commission on 7th April 2015 and is due for review April 2020.



This Recordkeeping Plan 2015 applies to all of the Shire of Lake Grace: Employees; Contractors; Organisations performing outsourced services on behalf of the Shire of Lake Grace and Elected members.

Register of Complaints

Section 5.53(2) (h.b) of the Local Government Act (1995) requires that the Annual Report is to contain details of entries made under section 5.121 during the financial year in the register of complaints.

For the 2015/2016 financial year, there were no entries made in the register of complaints.

Report of Employees Remuneration

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

These are disclosed as follows:

Salary Range	2016	2015	2014
100,000 - 109,999	1	1	1
110,000 - 119,999	0	0	0
120,000 - 129,999	0	0	0
130,000 - 139,999	0	0	0
140,000 – 149,999	0	1	1
150,000 – 159,999	1	0	0

Corporate Risk Management

The Shire recognises the importance of managing risk. As such, it strives to achieve best practice in the management of all risks that threaten to affect the Shire, its customers, people, assets, functions, objectives, operations and the community. In November 2014 AMD

Chartered Accountants were engaged to undertake an external assessment on the appropriateness and effectiveness of the Shire's implemented Risk Management systems and procedures, in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996. Following the review AMD presented a Report to Management and Council which contained findings and recommendations. An Action Plan was developed and forms part of the Shire's adopted Risk Management Framework, enabling the Shire to continue its progression in this key area and provide a point of reference for the next review expected in 2017.

Commonwealth Funding – Financial Assistance Grants

The Australian Government's decision in last year's Federal Budget to freeze indexation of Financial Assistance Grants for three (3) years is a decision which will impact on all Councils.

These grants are a vital part of the revenue base of all councils in essential community infrastructure and services ranging from local roads and parks to swimming pools and libraries. This year councils across Australia will receive \$2.3 billion from the Australian Government under this program.

In support of the Australian Local Government Association Council, Shire of Lake Grace Council passed a resolution Motion 12026;

1. Acknowledging the importance of the Commonwealth's funding through the Financial Assistance Grants programme for the continued delivery of council services and Infrastructure

3. Acknowledges Roads to Recovery Funding

2. Acknowledges that the Shire of Lake Grace will receive \$2,221,530 in 2015/16; and,

3. Will ensure that this Commonwealth funding, and other funding provided by the

Commonwealth Government under relevant grant programmes, is appropriately identified as Commonwealth grant funding in Council's publications, including annual reports.





FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2016

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

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Principal place of business:
Address
1 Bishop St
Lake Grace WA 6353

**SHIRE OF LAKE GRACE
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 16th day of February 2017


Denise Gobbart
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	Restated 2015 \$
Revenue				
Rates	22(a)	3,862,018	3,863,327	3,742,464
Operating grants, subsidies and contributions	28	1,436,955	1,785,678	3,879,019
Fees and charges	27	572,010	303,605	300,004
Interest earnings	2(a)	112,731	107,789	135,937
Other revenue	2(a)	337,493	175,761	460,278
		<u>6,321,207</u>	<u>6,236,160</u>	<u>8,517,702</u>
Expenses				
Employee costs		(2,252,354)	(2,388,261)	(1,834,673)
Materials and contracts		(1,448,567)	(1,760,345)	(1,856,940)
Utility charges		(267,589)	(201,301)	(256,590)
Depreciation on non-current assets	2(a)	(2,940,636)	(3,456,432)	(2,362,726)
Interest expenses	2(a)	(106,224)	(101,604)	(117,586)
Insurance expenses		(231,368)	(337,907)	(279,266)
Other expenditure		(145,107)	(85,270)	(263,336)
		<u>(7,391,845)</u>	<u>(8,331,120)</u>	<u>(6,971,117)</u>
		(1,070,638)	(2,094,960)	1,546,585
Non-operating grants, subsidies and contributions	28	2,664,713	1,457,199	1,922,163
Profit on asset disposals	20	1,121	0	0
(Loss) on asset disposals	20	(191,698)	(164,265)	(47,370)
(Loss) on revaluation of fixed assets	6(b)	(93,770)	0	(583,353)
Net result		<u>1,309,728</u>	<u>(802,026)</u>	<u>2,838,025</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	433,886	0	16,843,318
Total other comprehensive income		<u>433,886</u>	<u>0</u>	<u>16,843,318</u>
Total comprehensive income		<u>1,743,614</u>	<u>(802,026)</u>	<u>19,681,343</u>

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

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

	NOTE	2016 \$	2016 Budget \$	Restated 2015 \$
Revenue	2(a)			
Governance		56,413	49,992	83,264
General purpose funding		3,957,023	3,943,452	6,182,366
Law, order, public safety		53,558	54,145	53,442
Health		73,984	11,600	2,859
Housing		35,260	33,051	36,382
Community amenities		451,583	349,239	288,877
Recreation and culture		1,076,529	1,023,834	1,076,032
Transport		306,330	286,900	288,223
Economic services		189,366	44,036	173,890
Other property and services		121,161	439,911	332,367
		<u>6,321,207</u>	<u>6,236,160</u>	<u>8,517,702</u>
Expenses	2(a)			
Governance		(389,473)	(469,665)	(358,512)
General purpose funding		(246,683)	(271,485)	(259,370)
Law, order, public safety		(197,266)	(250,768)	(269,093)
Health		(376,803)	(314,383)	(365,486)
Housing		(129,859)	(138,536)	(115,985)
Community amenities		(652,110)	(772,639)	(659,260)
Recreation and culture		(1,392,938)	(1,481,488)	(1,345,821)
Transport		(3,312,587)	(3,946,644)	(2,999,390)
Economic services		(491,919)	(520,250)	(437,105)
Other property and services		(95,983)	(63,658)	(43,509)
		<u>(7,285,621)</u>	<u>(8,229,516)</u>	<u>(6,853,531)</u>
Finance costs	2(a)			
Governance		(21,923)	(21,263)	(22,134)
Law, order, public safety		(47)	(58)	(244)
Health		(7,194)	(6,753)	(7,962)
Housing		(5,486)	(5,280)	(11,115)
Community amenities		(127)	(192)	(359)
Recreation and culture		(35,315)	(34,230)	(37,423)
Transport		(14,853)	(13,675)	(14,987)
Economic services		(17,693)	(16,772)	(23,362)
Other property and services		(3,586)	(3,381)	0
		<u>(106,224)</u>	<u>(101,604)</u>	<u>(117,586)</u>
		<u>(1,070,638)</u>	<u>(2,094,960)</u>	<u>1,546,585</u>
Non-operating grants, subsidies and contributions	28	2,664,713	1,457,199	1,922,163
Profit on disposal of assets	20	1,121	0	0
(Loss) on disposal of assets	20	(191,698)	(164,265)	(47,370)
(Loss) on revaluation of fixed assets	6(b)	(93,770)	0	(583,353)
		<u>2,380,366</u>	<u>1,292,934</u>	<u>1,291,440</u>
Net result		1,309,728	(802,026)	2,838,025
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	433,886	0	16,843,318
Total other comprehensive income		433,886	0	16,843,318
Total comprehensive income		1,743,614	(802,026)	19,681,343

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

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

	NOTE	2016 \$	Restated 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	3,611,029	3,680,660
Trade and other receivables	4	718,122	469,810
Inventories	5	6,206	4,249
TOTAL CURRENT ASSETS		<u>4,335,357</u>	<u>4,154,719</u>
NON-CURRENT ASSETS			
Other receivables	4	117,572	152,166
Inventories	5	452,355	540,308
Property, plant and equipment	6	44,398,254	43,186,019
Infrastructure	7	148,686,331	147,875,647
TOTAL NON-CURRENT ASSETS		<u>193,654,512</u>	<u>191,754,140</u>
TOTAL ASSETS		<u>197,989,869</u>	<u>195,908,859</u>
CURRENT LIABILITIES			
Trade and other payables	8	917,062	332,969
Current portion of long term borrowings	9	246,010	241,908
Provisions	10	393,299	373,901
TOTAL CURRENT LIABILITIES		<u>1,556,371</u>	<u>948,778</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	1,520,091	1,766,100
Provisions	10	32,551	56,739
TOTAL NON-CURRENT LIABILITIES		<u>1,552,642</u>	<u>1,822,839</u>
TOTAL LIABILITIES		<u>3,109,013</u>	<u>2,771,617</u>
NET ASSETS		<u>194,880,856</u>	<u>193,137,242</u>
EQUITY			
Retained surplus		147,702,532	146,488,102
Reserves - cash backed	11	1,728,930	1,633,632
Revaluation surplus	12	45,449,394	45,015,508
TOTAL EQUITY		<u>194,880,856</u>	<u>193,137,242</u>

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

**SHIRE OF LAKE GRACE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		143,748,939	1,534,770	28,172,190	173,455,899
Comprehensive income					
Net result (Restated)		2,838,025	0	0	2,838,025
Changes on revaluation of assets (Restated)	12	0	0	16,843,318	16,843,318
Total comprehensive income (Restated)		2,838,025	0	16,843,318	19,681,343
Transfers from/(to) reserves		(98,862)	98,862	0	0
Balance as at 30 June 2015 (Restated)		146,488,102	1,633,632	45,015,508	193,137,242
Comprehensive income					
Net result		1,309,728	0	0	1,309,728
Changes on revaluation of assets	12	0	0	433,886	433,886
Total comprehensive income		1,309,728	0	433,886	1,743,614
Transfers from/(to) reserves		(95,298)	95,298	0	0
Balance as at 30 June 2016		147,702,532	1,728,930	45,449,394	194,880,856

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

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

	NOTE	2016 Actual \$	2016 Budget \$	Restated 2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,830,684	3,887,820	3,789,433
Operating grants, subsidies and contributions		1,213,330	1,963,157	3,790,732
Fees and charges		599,332	303,605	469,334
Interest earnings		112,731	101,755	130,804
Goods and services tax		630,771	44,352	514,436
Other revenue		337,493	181,795	215,478
		<u>6,724,341</u>	<u>6,482,484</u>	<u>8,910,217</u>
Payments				
Employee costs		(2,320,444)	(2,583,476)	(1,916,616)
Materials and contracts		(801,009)	(1,344,644)	(1,517,027)
Utility charges		(267,691)	(201,301)	(256,590)
Interest expenses		(108,245)	(105,354)	(121,253)
Insurance expenses		(231,368)	(337,907)	(279,266)
Goods and services tax		(646,357)	0	(454,661)
Other expenditure		(103,174)	(85,270)	(91,283)
		<u>(4,478,288)</u>	<u>(4,657,952)</u>	<u>(4,636,696)</u>
Net cash provided by (used in) operating activities	13(b)	<u>2,246,053</u>	<u>1,824,532</u>	<u>4,273,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(2,066,376)	(1,973,088)	(2,158,763)
Payments for construction of infrastructure		(2,948,210)	(2,829,199)	(2,108,276)
Advances to community groups		0	0	(110,000)
Non-operating grants, subsidies and contributions		2,664,713	1,457,199	1,922,163
Proceeds from sale of fixed assets		205,682	306,800	126,229
Proceeds from sale of land held for resale		40,909	0	43,995
Net cash provided by (used in) investment activities		<u>(2,103,282)</u>	<u>(3,038,288)</u>	<u>(2,284,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(241,907)	(241,908)	(687,088)
Proceeds from self supporting loans		29,505	29,503	18,283
Proceeds from new debentures		0	0	110,000
Net cash provided by (used in) financing activities		<u>(212,402)</u>	<u>(212,405)</u>	<u>(558,805)</u>
Net increase (decrease) in cash held		(69,631)	(1,426,161)	1,430,064
Cash at beginning of year		3,680,660	3,680,658	2,250,596
Cash and cash equivalents at the end of the year	13(a)	<u><u>3,611,029</u></u>	<u><u>2,254,497</u></u>	<u><u>3,680,660</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	Restated 2015 Actual \$
Net current assets at start of financial year - surplus		<u>2,108,542</u>	<u>1,873,587</u>	<u>1,234,474</u>
		2,108,542	1,873,587	1,234,474
Revenue from operating activities (excluding rates)				
Governance		56,413	49,992	83,264
General purpose funding		1,258,634	1,244,022	3,515,957
Law, order, public safety		54,679	54,145	53,442
Health		73,984	11,600	2,859
Housing		35,260	33,051	36,382
Community amenities		451,583	349,239	288,877
Recreation and culture		1,076,529	1,023,834	1,076,032
Transport		306,330	286,900	288,223
Economic services		189,366	44,036	173,890
Other property and services		<u>121,161</u>	<u>73,240</u>	<u>327,234</u>
		3,623,939	3,170,059	5,846,160
Expenditure from operating activities				
Governance		(425,078)	(507,842)	(400,772)
General purpose funding		(246,683)	(271,485)	(259,370)
Law, order, public safety		(197,313)	(253,910)	(269,337)
Health		(383,977)	(321,136)	(294,960)
Housing		(135,345)	(143,816)	(127,100)
Community amenities		(652,237)	(772,831)	(659,797)
Recreation and culture		(1,428,253)	(1,515,718)	(1,296,653)
Transport		(3,500,344)	(4,104,586)	(3,034,469)
Economic services		(509,612)	(537,022)	(460,467)
Other property and services		<u>(198,471)</u>	<u>(67,039)</u>	<u>(798,915)</u>
		(7,677,313)	(8,495,385)	(7,601,840)
Operating activities excluded from budget				
Initial recognition of assets due to change in regulations				
- Land		0	0	(244,800)
(Profit) on disposal of assets	20	(1,121)	0	0
Loss on disposal of assets	20	191,698	164,265	47,370
Movement in deferred pensioner rates (non-current)		3,869	0	(2,795)
Movement in employee benefit provisions (non-current)		(4,790)	30,022	(16,514)
Assets written off		0	0	172,053
Depreciation on assets	2(a)	2,940,636	3,456,432	2,362,726
Loss on Revaluation of land held for resale		41,932	0	0
Loss on Revaluation of Assets		<u>93,770</u>	<u>0</u>	<u>583,353</u>
Amount attributable to operating activities		<u>1,321,162</u>	<u>198,980</u>	<u>2,380,187</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		2,664,713	1,457,199	1,922,163
Proceeds from disposal of assets	20	205,682	306,800	126,229
Proceeds from disposal of land held for resale		40,909	0	43,995
Purchase of property, plant and equipment	6(b)	(2,066,376)	(1,973,088)	(2,158,763)
Purchase and construction of infrastructure	7(b)	<u>(2,948,210)</u>	<u>(2,829,199)</u>	<u>(2,108,276)</u>
Amount attributable to investing activities		<u>(2,103,282)</u>	<u>(3,038,288)</u>	<u>(2,174,652)</u>
FINANCING ACTIVITIES				
Advances to community groups		0	0	(110,000)
Repayment of debentures	21(a)	(241,907)	(241,908)	(687,088)
Proceeds from new debentures	21(a)	0	0	110,000
Proceeds from self supporting loans		29,505	29,503	18,283
Transfers to reserves (restricted assets)	11	(456,073)	(255,358)	(364,906)
Transfers from reserves (restricted assets)	11	360,775	294,457	266,044
Transfers to other restricted assets		<u>0</u>	<u>0</u>	<u>(868)</u>
Amount attributable to financing activities		<u>(307,700)</u>	<u>(173,306)</u>	<u>(768,535)</u>
Surplus(deficiency) before general rates		<u>(1,089,820)</u>	<u>(3,012,614)</u>	<u>(563,000)</u>
Total amount raised from general rates	22	<u>2,698,389</u>	<u>2,699,441</u>	<u>2,671,542</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	22(a)	<u><u>1,608,569</u></u>	<u><u>(313,173)</u></u>	<u><u>2,108,542</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

SHIRE OF LAKE GRACE
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 LAKE GRACE
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 LAKE GRACE
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
gravel sheet	12 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 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 \$1,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

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

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expense and revenue		
<u>Loss on Revaluation of fixed assets</u>		
Furniture and Equipment	93,770	0
Infrastructure - Parks, Gardens and Recreation Facilities	<u>0</u>	<u>583,353</u>
The significant expense in 2016 and 2015 relates to the loss on revaluation of fixed assets. The above categories have no revaluation surplus, so the decrement on the valuation of these assets is required to reduce the net result on the Statement of Comprehensive Income.		
Auditors remuneration		
- Audit of the Annual Financial Report	18,675	19,984
- Assistance with the finalisation of the annual financial report	5,500	16,400
- Other services	32,449	15,796
Depreciation		
Buildings - Non-Specialised	53,047	52,160
Buildings - Specialised	383,233	368,823
Furniture and Equipment	34,658	29,675
Plant and Equipment	332,172	295,363
Infrastructure - Roads	1,617,168	1,401,798
Infrastructure - Parks, Gardens, and Recreation Facilities	360,733	31,568
Infrastructure - Sewerage	42,829	987
Infrastructure - Urban Infrastructure	<u>116,796</u>	<u>182,352</u>
	<u>2,940,636</u>	<u>2,362,726</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	<u>106,224</u>	<u>117,586</u>
	<u>106,224</u>	<u>117,586</u>
Rental charges		
- Operating leases	<u>30,000</u>	<u>30,000</u>
	<u>30,000</u>	<u>30,000</u>
(ii) Crediting as revenue:		
Significant revenue		
Recognition of Assets due to change in Regulations (Recreation and Culture)	<u>0</u>	<u>244,800</u>
This significant revenue in 2015 relates to the initial recognition of \$244,800 of Crown Land under the Shire's control in accordance with amendments to the Financial Management Regulations. They have been classified as "Other Revenue" by Nature or Type.		
Other revenue		
Reimbursements and recoveries	186,011	95,397
Significant revenue (refer above)	0	244,800
Other	<u>151,482</u>	<u>120,081</u>
	<u>337,493</u>	<u>460,278</u>
	2016	2016
	Actual	Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	4,525	6,034
- Reserve funds	33,357	33,100
- Other funds	28,565	25,200
Other interest revenue (refer note 26)	<u>46,284</u>	<u>43,455</u>
	<u>112,731</u>	<u>107,789</u>
	2015	
	Actual	
	\$	

**SHIRE OF LAKE GRACE
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 Lake Grace will be a prosperous, sustainable and healthy place to live where: people feel connected, valued and supported; quality leadership is demonstrated; industries and infrastructure are vibrant and responsive; and the environment is well understood, managed and flourishing.

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:

Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide bushfire prevention services and animal (dog) control services.

Activities:

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

HEALTH

Objective:

To provide an operational framework for good community health in conjunction with the Health Department of WA.

Activities:

Inspection of food outlets and their control, mosquito control, noise control and waste disposal compliance.

HOUSING

Objective:

To help to ensure that adequate housing is available to staff and the community.

Activities:

Provision and maintenance of aged persons units and community accommodation (Joint Venture and CHOP Housing) units.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide community amenities and other infrastructure as required by the community.

Activities:

Rubbish collection and disposal, maintenance of rubbish tips and chemical drum recycling.
Administration of Town Planning Schemes for the four town sites within the Shire and the whole of the Shire including the provision of residential, commercial and industrial land, town scaping facilities and the maintenance of cemeteries for each town.

RECREATION AND CULTURE

Objective:

To establish and manage efficiently sport and recreation infrastructure and resources which will help the social wellbeing and the health of the various communities of the Shire.

Activities:

The provision and maintenance, in conjunction with the various communities, of public halls, recreation grounds, sports pavilions etc., the Lake Grace swimming pool and the operation of public libraries in conjunction with the Education Department.

TRANSPORT

Objective:

To provide efficient and effective transport infrastructure to the community.

Activities:

Construction and maintenance of streets, roads, bridges; the cleaning and lighting of streets and the maintenance of Council depots and aerodromes.

ECONOMIC SERVICES

Objective:

To help promote the Shire and improve its economic wellbeing.

Activities:

The regulation and provision of tourism, area promotion activities, building control, noxious weeds and the provision of water standpipes.

OTHER PROPERTY AND SERVICES

Objective:

To provide other services not elsewhere included.

Activities:

Private works operations, council plant repairs and operation costs.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
<u>Operating</u>								
Workforce Planning Grant	Governance	0	25,000	(25,000)	0	0	0	0
Ag. Dept. Drought	Community Amenities	10,000	0	(10,000)	0	0	0	0
Cat Module Grant - Dumbleyung	Community Amenities	2,550	0	(2,550)	0	0	0	0
Seniors Advocay Grant	Health	0	750	(750)	0	0	0	0
National Youth Week Grant	Health	0	1,000	(1,000)	0	0	0	0
Dept of Local Govt - Youth Grant	Recreation and Culture	0	10,000	0	10,000	0	0	10,000
Maternal & Infant Health	Health	19,491	0	(19,491)	0	0	0	0
Lake Grace Water Harvest	Economic Services	14,473	0	(14,473)	0	0	0	0
Grants Commission General Purpose	General Purpose Funding	0	0	0	0	531,876	(531,876)	0
Grants Commission Road Funds	General Purpose Funding	0	0	0	0	557,832	(557,832)	0
DFES LG Grant Scheme	Fire Prevention	0	0	0	0	43,247	(21,167)	22,080
DSR - Community Pools 15/16	Swimming Pools	0	0	0	0	32,000	(32,000)	0
DSR - KidSport	Other Rec & Sport	0	0	0	0	2,000	(90)	1,910
MRWA - Direct Grant	Transport	0	0	0	0	270,000	(270,000)	0
<u>Capital</u>								
Lotterywest - Hall Furniture	Recreation and Culture	0	20,422	(20,422)	0	0	0	0
DSR - LG Swimming Pool	Recreation and Culture	0	30,000	(30,000)	0	0	0	0
Lake King Community Water Project	Economic Services	0	49,868	(49,868)	0	0	0	0
Solar Hot Water - LK & VLY Toilets	Community Amenities	0	9,936	(9,936)	0	0	0	0
Roads to Recovery	Transport	0	526,355	(526,355)	0	1,746,495	(1,387,973)	358,522
Blackspot Grant	Transport	0	35,000	(35,000)	0	0	0	0
Regional Road Group	Transport	0	249,640	(249,640)	0	330,000	(330,000)	0
Royalties for Regions Yr4	Transport	79,155	0	(79,155)	0	0	0	0
Royalties for Regions Yr5	Transport	396,861	0	(136,861)	260,000	0	(260,000)	0
Independent Living Units	Housing	608	752,231	(752,839)	0	356,690	(356,690)	0
CSRFF - Lake Grace Pavillion	Recreation and Culture	0	189,000	(189,000)	0	0	0	0
LG Sporting Trust - LG Pavillion	Recreation and Culture	0	160,000	(160,000)	0	0	0	0
Shire of Williams - Lake Grace ILU	Housing Other	0	0	0	0	166,135	(166,135)	0
DoW - Lake Grace Water Harvest	Economic Services	0	16,680	0	16,680	0	(16,680)	0
DoW - Community Water Supply	Other Community Amenities	0	0	0	0	33,361	(33,361)	0
Lotterywest - LK Tractor Museum	Other Culture	0	0	0	0	32,032	(32,032)	0
Total		523,138	2,075,882	(2,312,340)	286,680	4,101,668	(3,995,836)	392,512

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

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Cash at Hand - Unrestricted		700	400
Cash at Bank - Municipal Fund		1,881,399	2,046,628
Cash at Bank - Restricted Reserves		<u>1,728,930</u>	<u>1,633,632</u>
		<u><u>3,611,029</u></u>	<u><u>3,680,660</u></u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Community Water Supply Reserve	11	11,207	10,962
Emergency Services Reserve	11	25,398	24,844
Essential Medical Services Reserve	11	107,027	0
History Book Reserve	11	5,111	5,000
Housing Reserve	11	30,751	30,080
Lake Grace Sewerage Scheme Reserve	11	824,817	618,712
Lake Grace TV Services Reserve	11	35,317	34,546
Land Development Reserve	11	114,911	72,377
Leave Reserve	11	161,410	157,888
Newdegate 100 Year Centenary Reserve	11	20,336	15,000
Newdegate Ground Keeping SARS Reserve	11	247	15,000
Newdegate Hall Reserve	11	19,261	234,096
Newdegate Sports Dam Reserve	11	15,335	15,000
Newdegate Stadium Reserve	11	12,888	7,715
Newdegate TV Reserve	11	4,321	4,227
Office Furniture and Equipment Reserve	11	12,451	12,179
Plant Replacement Reserve	11	198,826	313,315
Recreation Reserve	11	711	696
Swimming Pool (Lake Grace) Reserve	11	36,080	30,401
Varley Sullage Reserve	11	1,558	1,524
Works & Service Reserve	11	<u>90,967</u>	<u>30,070</u>
		<u><u>1,728,930</u></u>	<u><u>1,633,632</u></u>

The following is a reconciliation of the Cash at Bank - Municipal Fund above

- Unrestricted		1,438,814	1,709,875
- Restricted (see below)		50,073	50,073
- Restricted - Unspent Grants	2(c)	<u>392,512</u>	<u>286,680</u>
		<u><u>1,881,399</u></u>	<u><u>2,046,628</u></u>

Cash at Bank - Municipal - Restricted

- Restricted CHOP Housing		44,669	44,669
- Restricted - Rural Town Salinity Program		<u>5,404</u>	<u>5,404</u>
		<u><u>50,073</u></u>	<u><u>50,073</u></u>

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

	2016	2015
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	202,005	172,818
Sundry debtors	433,277	209,652
Provision For Doubtful Debts	(32,200)	(17,899)
GST receivable	72,535	56,949
Loans receivable - clubs/institutions	30,723	29,503
ESL Control	4,393	3,908
Accrued Income Prepayments	7,389	14,879
	<u>718,122</u>	<u>469,810</u>
Non-current		
Rates outstanding - pensioners	26,280	24,133
Loans receivable - clubs/institutions	88,054	118,779
SEC Extensions	3,238	9,254
	<u>117,572</u>	<u>152,166</u>
5. INVENTORIES		
Current		
Fuel and materials	6,206	4,249
	<u>6,206</u>	<u>4,249</u>
Non-current		
Land held for resale - Net realisable value	452,355	540,308
	<u>452,355</u>	<u>540,308</u>

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

	2016 \$	Restated 2015 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - Freehold at:		
- Independent valuation 2014 - level 2	1,964,000	1,964,000
- Additions after valuation - cost	<u>71,282</u>	<u>71,282</u>
	2,035,282	2,035,282
Land - Vested In and Under The Control of Council at:		
- Management valuation 2013 - level 3	431,824	431,824
- Independent valuation 2015 - level 3	<u>244,800</u>	<u>244,800</u>
	676,624	676,624
	<u>2,711,906</u>	<u>2,711,906</u>
Buildings - Non-Specialised at:		
- Independent valuation 2014 - level 2	2,608,000	2,608,000
- Additions after valuation - cost	48,410	44,374
Less: accumulated depreciation	<u>(105,206)</u>	<u>(52,160)</u>
	2,551,204	2,600,214
Buildings - Specialised at:		
- Independent valuation 2014 - level 3	33,837,205	33,837,205
- Additions after valuation - cost	2,853,412	1,005,890
Less: accumulated depreciation	<u>(857,198)</u>	<u>(473,964)</u>
	35,833,419	34,369,131
Works in Progress at:		
- Cost	<u>169,387</u>	<u>886,934</u>
	169,387	886,934
	<u>38,554,010</u>	<u>37,856,279</u>
Total land and buildings	<u>41,265,916</u>	<u>40,568,185</u>
Furniture and Equipment at:		
- Management valuation 2013 - level 3	0	169,514
- Management valuation 2016 - level 3	11,323	0
- Independent valuation 2016 - level 2	82,110	0
- Independent valuation 2016 - level 3	9,040	0
- Additions after valuation - cost	0	99,251
Less accumulated depreciation	<u>0</u>	<u>(51,283)</u>
	102,473	217,482
Plant and Equipment at:		
- Management valuation 2013 - level 2	0	2,422,362
- Management valuation 2016 - level 2	418,800	0
- Independent valuation 2016 - level 2	1,787,969	0
- Independent valuation 2016 - level 3	823,096	0
- Additions after valuation - cost	0	526,289
Less accumulated depreciation	<u>0</u>	<u>(548,299)</u>
	3,029,865	2,400,352
	<u>44,398,254</u>	<u>43,186,019</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 LAKE GRACE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - Freehold	2,035,282	0	0	0	0	0	0	0	2,035,282
Land - Vested In and Under The Control of Council	676,624	0	0	0	0	0	0	0	676,624
Total land	2,711,906	0	0	0	0	0	0	0	2,711,906
Buildings - Non-Specialised	2,600,214	4,037	0	0	0	0	(53,047)	0	2,551,204
Buildings - Specialised	34,369,131	960,587	0	0	0	0	(383,233)	886,934	35,833,419
Works in Progress	886,934	169,387	0	0	0	0	0	(886,934)	169,387
Total buildings	37,856,279	1,134,011	0	0	0	0	(436,280)	0	38,554,010
Total land and buildings	40,568,185	1,134,011	0	0	0	0	(436,280)	0	41,265,916
Furniture and Equipment	217,482	13,419	0	0	(93,770)	0	(34,658)	0	102,473
Plant and Equipment	2,400,352	918,946	(391,147)	433,886	0	0	(332,172)	0	3,029,865
Total property, plant and equipment	43,186,019	2,066,376	(391,147)	433,886	(93,770)	0	(803,110)	0	44,398,254

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - Freehold	2	Market approach using recent observable market data for similar properties	Independent Registered Valuers	June 2014	Price per hectare
Land - Vested In and Under Control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management Valuation/ Independent Registered Valuers	June 2013 & June 2015	Improvements to land using construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) Inputs
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	Improvements to land valued using depreciated replacement cost	Independent Registered Valuers	June 2014	Improvements to land using construction costs and current condition (level 2) residual values and remaining useful life assessments (level 3) Inputs
Furniture and Equipment	3	Cost approach using depreciated replacement cost	Management Valuation/ Independent Registered Valuers	June 2016	Purchase costs and current condition (level 2) Residual value and remaining useful life assessments (level 3) inputs
	2	Market approach using recent observable market data for similar assets	Independent Registered Valuers	June 2016	Price per item
Plant and Equipment	2	Market approach using recent observable market data for similar assets	Management Valuation/ Independent Registered Valuers	June 2016	Price per item
	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2016	Purchase costs and current condition (level 2) Residual value and remaining useful life assessments (level 3) inputs

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

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

	2016 \$	Restated 2015 \$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	135,171,809	135,171,809
- Additions after valuation - cost	2,766,251	0
Less accumulated depreciation	<u>(1,617,168)</u>	<u>0</u>
	136,320,892	135,171,809
 Infrastructure - Parks, Gardens, and Recreation Facilities		
- Independent valuation 2015 - level 3	5,828,815	5,828,815
- Additions after valuation - cost	101,651	76,552
Less accumulated depreciation	<u>(360,733)</u>	<u>0</u>
	5,569,733	5,905,367
 Infrastructure - Sewerage		
- Independent valuation 2015 - level 3	2,890,157	2,890,157
- Additions after valuation - cost	6,348	0
Less accumulated depreciation	<u>(42,829)</u>	<u>0</u>
	2,853,676	2,890,157
 Infrastructure - Urban Infrastructure		
- Independent valuation 2015 - level 3	3,908,314	3,908,314
- Additions after valuation - cost	150,512	0
Less accumulated depreciation	<u>(116,796)</u>	<u>0</u>
	3,942,030	3,908,314
	<u>148,686,331</u>	<u>147,875,647</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 LAKE GRACE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	135,171,809	2,766,251	0	0	0	0	(1,617,168)	0	136,320,892
Infrastructure - Parks, Gardens, and Recreation Facilities	5,905,367	25,099	0	0	0	0	(360,733)	0	5,569,733
Infrastructure - Sewerage	2,890,157	6,348	0	0	0	0	(42,829)	0	2,853,676
Infrastructure - Urban Infrastructure	3,908,314	150,512	0	0	0	0	(116,796)	0	3,942,030
Total infrastructure	147,875,647	2,948,210	0	0	0	0	(2,137,526)	0	148,686,331

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks, Gardens, and Recreation Facilities	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Urban Infrastructure	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

	2016	2015
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	826,957	111,462
Accrued interest on debentures	16,132	18,153
Accrued salaries and wages	7,364	74,326
ATO liabilities	58,421	54,758
Others	0	102
Accrued Expenditure	0	66,048
ESL Payable	8,188	8,120
	<u>917,062</u>	<u>332,969</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>246,010</u>	<u>241,908</u>
	<u>246,010</u>	<u>241,908</u>
Non-current		
Secured by floating charge		
Debentures	<u>1,520,091</u>	<u>1,766,100</u>
	<u>1,520,091</u>	<u>1,766,100</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	232,614	141,287	373,901
Non-current provisions	<u>0</u>	<u>56,739</u>	<u>56,739</u>
	232,614	198,026	430,640
Additional provision	171,946	14,688	186,634
Amounts used	<u>(176,038)</u>	<u>(15,386)</u>	<u>(191,424)</u>
Balance at 30 June 2016	<u>228,522</u>	<u>197,328</u>	<u>425,850</u>
Comprises			
Current	228,522	164,777	393,299
Non-current	<u>0</u>	<u>32,551</u>	<u>32,551</u>
	<u>228,522</u>	<u>197,328</u>	<u>425,850</u>

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

11. RESERVES - CASH BACKED

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Community Water Supply Reserve	10,962	245	0	11,207	10,962	224	0	11,186	10,962	0	0	10,962
Emergency Services Reserve	24,844	554	0	25,398	24,844	503	0	25,347	24,844	0	0	24,844
Essential Medical Services Reserve	0	107,027	0	107,027	0	150,000	0	150,000	0	0	0	0
History Book Reserve	5,000	111	0	5,111	5,000	101	0	5,101	0	5,000	0	5,000
Housing Reserve	30,080	671	0	30,751	30,080	609	0	30,689	30,080	0	0	30,080
Lake Grace Sewerage Scheme Reserve	618,712	206,105	0	824,817	618,712	64,794	(100,000)	583,506	487,446	131,266	0	618,712
Lake Grace Sports & Recreation SARS Reserve	0	0	0	0	0	0	0	0	1,951	0	(1,951)	0
Lake Grace TV Services Reserve	34,546	771	0	35,317	34,546	700	0	35,246	34,546	0	0	34,546
Lake King Sports & Recreation SARS Reserve	0	0	0	0	0	0	0	0	45,473	0	(45,473)	0
Land Development Reserve	72,377	42,534	0	114,911	72,377	1,466	0	73,843	26,463	45,914	0	72,377
Leave Reserve	157,888	3,522	0	161,410	157,888	3,199	0	161,087	157,888	0	0	157,888
Newdegate 100 Year Centenary Reserve	15,000	5,336	0	20,336	15,000	5,304	0	20,304	10,000	5,000	0	15,000
Newdegate Ground Keeping SARS Reserve	15,000	5,247	(20,000)	247	15,000	5,304	0	20,304	10,000	5,000	0	15,000
Newdegate Hall Reserve	234,096	5,165	(220,000)	19,261	234,096	4,743	(73,682)	165,157	305,793	0	(71,697)	234,096
Newdegate Hall Reserve	0	0	0	0	0	0	0	0	115,069	0	(115,069)	0
Newdegate Sports Dam Reserve	15,000	335	0	15,335	15,000	304	0	15,304	15,000	0	0	15,000
Newdegate Stadium Reserve	7,715	5,173	0	12,888	7,715	5,156	0	12,871	20,000	0	(12,285)	7,715
Newdegate TV Reserve	4,227	94	0	4,321	4,227	86	0	4,313	4,227	0	0	4,227
Office Furniture & Equipment Reserve	12,179	272	0	12,451	12,179	247	0	12,426	12,179	0	0	12,179
Plant Replacement Reserve	313,315	6,286	(120,775)	198,826	313,315	6,348	(120,775)	198,888	150,589	162,726	0	313,315
Recreation Reserve	696	15	0	711	696	14	0	710	696	0	0	696
Swimming Pool (Lake Grace) Reserve	30,401	5,679	0	36,080	30,401	5,616	0	36,017	20,401	10,000	0	30,401
Varley Sullage Reserve	1,524	34	0	1,558	1,524	31	0	1,555	1,524	0	0	1,524
Varlye Sports & Recreation SARS Reserve	0	0	0	0	0	0	0	0	19,569	0	(19,569)	0
Works & Services Reserve	30,070	60,897	0	90,967	30,070	609	0	30,679	30,070	0	0	30,070
	<u>1,633,632</u>	<u>456,073</u>	<u>(360,775)</u>	<u>1,728,930</u>	<u>1,633,632</u>	<u>255,358</u>	<u>(294,457)</u>	<u>1,594,533</u>	<u>1,534,770</u>	<u>364,906</u>	<u>(266,044)</u>	<u>1,633,632</u>

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

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

11. RESERVES - CASH BACKED (Continued)

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Community Water Supply Reserve	Ongoing	To be used to meet the future commitments with the construction and maintenance of community water supplies.
Emergency Services Reserve	Ongoing	To be used to fund volunteer bush fire brigade and other emergency services.
Essential Medical Services Reserve	Ongoing	To be used to provide essential medical services.
History Book Reserve	Ongoing	To be used for the expenditure associated with producing a local history book.
Housing Reserve	Ongoing	To be used for additions and/or renovations of existing Council staff houses and the acquisition of new houses.
Lake Grace Sewerage Scheme Reserve	Ongoing	To be used for the renovation, addition and improvements of the Lake Grace Sewerage System.
Lake Grace Sports & Recreation SARS Reserve	Ongoing	To be used to meet expenditure associated with sport and recreation costs in the Lake Grace Specified Area.
Lake Grace TV Services Reserve	Ongoing	To be used for the maintenance and upgrade of television and radio services in the Lake Grace townsite.
Lake King Sports & Recreation SARS Reserve	Ongoing	To be used to meet expenditure associated with sport and recreation costs in the Lake King Specified Area.
Land Development Reserve	Ongoing	To be used for the development of new residential, commercial and industrial land.
Leave Reserve	Ongoing	To be used to fund accrued leave entitlements of employees.
Newdegate 100 Year Centenary Reserve	Ongoing	To be used to fund the 100 year centenary of the Newdegate townsite.
Newdegate Ground Keeping SARS Reserve	Ongoing	To be used to meet all expenditure relating to preparation of grounds and purchase and replacement of related plant and equipment.
Newdegate Hall Reserve	Ongoing	To be used for the repair, renovation, addition to and improvements of the Newdegate Town Hall.
Newdegate Sports & Recreation SARS Reserve	Ongoing	To be used to meet expenditure associated with sport and recreation costs in the Newdegate Specified Area.
Newdegate Sports Dam Reserve	Ongoing	To be used for upgrade works to the Newdegate Sports Dam. A contribution of \$5,000 per year (to be capped at \$20,000)
Newdegate Stadium Reserve	Ongoing	To be used for upgrade works to the Newdegate Stadium Floor. A contribution of \$5,000 per year (to be capped at \$20,000)
Newdegate TV Reserve	Ongoing	To be used for the maintenance and upgrade of television and radio services in the Newdegate townsite.
Office Furniture & Equipment Reserve	Ongoing	To be used to replace furniture, office, electrical and computer equipment at the Lake Grace Administration Centre.
Plant Replacement Reserve	Ongoing	To be used to for the replacement of major items of roadmaking plant.
Recreation Reserve	Ongoing	To be used for the development of sport and recreation facilities.
Swimming Pool (Lake Grace) Reserve	Ongoing	To be used for the repair and improvement of the swimming pool and associated plant.
Varley Sports & Recreation SARS Reserve	Ongoing	To be used to meet expenditure associated with sport and recreation costs in the Varley Specified Area.
Varley Sullage Reserve	Ongoing	To be used for the expenditure associated with the servicing of loan and operations of the Varley Sullage Scheme.
Works & Services Reserve	Ongoing	To be used for the expenditure associated with road and street works, including drainage.

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

12. REVALUATION SURPLUS

	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation Decrement \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$	2015 Opening Balance \$	2015 Revaluation Increment \$	2015 Revaluation Decrement \$	2015 Total Movement on Revaluation \$	2015 Closing Balance \$
Land and buildings	27,328,097	0	0	0	27,328,097	27,328,097	0	0	0	27,328,097
Plant and Equipment	844,093	433,886	0	433,886	1,277,979	844,093	0	0	0	844,093
Infrastructure - Roads	10,434,011	0	0	0	10,434,011	0	10,434,011	0	10,434,011	10,434,011
Infrastructure - Sewerage	2,793,412	0	0	0	2,793,412	0	2,793,412	0	2,793,412	2,793,412
Infrastructure - Urban Infrastructure	3,615,895	0	0	0	3,615,895	0	3,615,895	0	3,615,895	3,615,895
	<u>45,015,508</u>	<u>433,886</u>	<u>0</u>	<u>433,886</u>	<u>45,449,394</u>	<u>28,172,190</u>	<u>16,843,318</u>	<u>0</u>	<u>16,843,318</u>	<u>45,015,508</u>

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

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
	\$	\$	\$
Cash and cash equivalents	<u>3,611,029</u>	<u>2,254,497</u>	<u>3,680,660</u>

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

Net result	1,309,728	(802,026)	2,838,025
Non-cash flows in Net result:			
Depreciation	2,940,636	3,456,432	2,362,726
(Profit)/Loss on sale of asset	190,577	164,265	47,370
Loss on revaluation of fixed assets	93,770	0	583,353
Initial recognition of crown land	0	0	(244,800)
Loss on revaluation of land held for resale	41,932	0	0
Asset written off	0	0	172,053
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(243,223)	246,324	582,172
(Increase)/Decrease in inventories	(1,957)	0	6,469
Increase/(Decrease) in payables	584,093	301,531	(135,170)
Increase/(Decrease) in provisions	(4,790)	(84,795)	(16,514)
Grants contributions for the development of assets	(2,664,713)	(1,457,199)	(1,922,163)
Net cash from operating activities	<u>2,246,053</u>	<u>1,824,532</u>	<u>4,273,521</u>

	2016	2015
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Credit card limit	10,000	10,000
Credit card balance at balance date	(186)	0
Total amount of credit unused	<u>109,814</u>	<u>110,000</u>
Loan facilities		
Loan facilities - current	246,010	241,908
Loan facilities - non-current	1,520,091	1,766,100
Total facilities in use at balance date	<u>1,766,101</u>	<u>2,008,008</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>

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

14. CONTINGENT LIABILITIES

The Shire did not have any contingent liabilities at the reporting date.

15. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	22,500	22,500
- later than one year but not later than five years	0	22,500
- later than five years	0	0
	<u>22,500</u>	<u>45,000</u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	970,760	232,706
- plant & equipment purchases	78,079	0
Payable:		
- not later than one year	1,048,839	232,706

The 2016 capital expenditure relates to the development of three independent living units which have not yet commenced in Lake Grace and plant and equipment purchase.

16. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY	2016	Restated 2015
	\$	\$
Governance	3,921,777	2,400,165
General purpose funding	2,182,885	2,341,414
Law, order, public safety	873,020	852,272
Health	3,434,344	3,260,899
Housing	8,850,903	7,209,978
Community amenities	5,277,211	4,417,174
Recreation and culture	24,758,066	26,485,702
Transport	143,264,460	142,712,546
Economic services	2,888,012	2,061,837
Other property and services	2,268,391	4,095,899
Unallocated	270,800	70,973
	<u>197,989,869</u>	<u>195,908,859</u>

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

	2016	2015	2014
18. FINANCIAL RATIOS			
Current ratio	1.55	2.76	0.75
Asset sustainability ratio	0.93	1.25	0.63
Debt service cover ratio	4.86	4.22	2.81
Operating surplus ratio	(0.29)	0.21	(0.34)
Own source revenue coverage ratio	0.62	0.56	0.59

The above ratios are calculated as follows:

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

Notes:

- (a) Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 61 of this document.
- (b) For 2016, the Debt Service Cover and the Operating Surplus ratios as disclosed above were distorted by the early receipt of half of the allocation of the 2015/16 Financial Assistance Grants (FAGS) which was received on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,153,620.
- (c) For 2015,
 - i) The Current, Debt Service Cover and Operating Surplus ratios as disclosed above were also distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGs) of \$1,153,620 which was received prior to year end.
 - ii) The Debt Service Cover and the Operating Surplus ratios as disclosed above were also distorted by an item of significant expenses being the loss on revaluation of fixed assets amounting to \$583,353 and significant revenue totalling \$244,800 relating to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations. (Refer to Note 1(f) for further details).
- (d) For 2014, the Current, Debt Debt Service Cover and Operating Surplus ratios disclosed above were distorted by the change to the payment of FAGs during the year ended 30 June 2014 which saw the advance payment for the following year cease. This resulted in an amount of some \$1,053,950 less revenue for the year.

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

	2016	2015	2014
Current Ratio	1.55	1.09	1.99
Debt Service Cover Ratio	8.15	3.21	5.94
Operating Surplus Ratio	(0.04)	0.02	(0.08)

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

19. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Hall Deposits	5,400	9,245	(10,465)	4,180
Miscellaneous Deposits	1,377	100	(150)	1,327
Housing Bonds	5,471	1,400	(3,929)	2,942
Nomination Deposits	2,680	320	(3,000)	0
Construction Training Fund (BCITF)	8,197	5,718	(13,915)	0
Builders Registration Board	5,328	5,014	(10,342)	0
Number Plates	500	200	(700)	0
Standpipe Bonds	3,900	1,350	(150)	5,100
Retentions	0	10,000	(5,000)	5,000
NGT Swimming Pool Key Bond	0	20	0	20
	<u>32,853</u>			<u>18,569</u>

20. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment								
<u>Governance</u>								
CEO Vehicle - LG001	0	0	0	0	51,240	43,700	0	(7,540)
MCRS Vehicle - LG139	26,409	12,727	0	(13,682)	27,274	17,900	0	(9,374)
<u>Law, order, public safety</u>								
CESM Vehicle	24,788	25,909	1,121	0	28,284	25,200	0	(3,084)
<u>Transport</u>								
Grader	135,228	80,000	0	(55,228)	139,250	90,000	0	(49,250)
DAF Truck	92,800	40,000	0	(52,800)	109,108	65,000	0	(44,108)
DAF Truck	99,200	40,000	0	(59,200)	115,909	65,000	0	(50,909)
Ford Falcon Utility	12,722	7,046	0	(5,676)	0	0	0	0
	<u>391,147</u>	<u>205,682</u>	<u>1,121</u>	<u>(186,586)</u>	<u>471,065</u>	<u>306,800</u>	<u>0</u>	<u>(164,265)</u>
Land for Sale								
<u>Economic services</u>								
Lot 220 Wattle Drive, Lake Grace	46,021	40,909	0	(5,112)	0	0	0	0
	<u>437,168</u>	<u>246,591</u>	<u>1,121</u>	<u>(191,698)</u>	<u>471,065</u>	<u>306,800</u>	<u>0</u>	<u>(164,265)</u>
					Profit	1,121	0	
					Loss	(191,698)	0	
						<u>(190,577)</u>	<u>0</u>	

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
L175 - CEO's Residence	47,065	0	10,703	10,703	36,362	36,362	2,604	2,777
L181 - Office Redevelopment	322,954	0	12,722	12,722	310,232	310,232	19,320	18,486
Law, Order, Public Safety								
L195 - CESMO Vehicle	3,627	0	3,627	3,627	0	0	47	58
Health								
L190 - NGT Medical Centre	125,683	0	22,430	22,430	103,253	103,253	7,194	6,753
Housing								
L184 - Country Housing Authority	38,044	0	11,759	11,759	26,285	26,285	2,751	2,640
L185 - Country Housing Authority	38,044	0	11,759	11,759	26,285	26,285	2,735	2,640
Community Amenities								
L180 - Newdegate Toilets	4,453	0	4,453	4,453	0	0	127	192
Recreation and Culture								
L173 - Lake Grace Pool	107,478	0	10,929	10,929	96,549	96,549	5,955	6,015
L182 - Lake Grace Sport Precinct	206,204	0	11,919	11,919	194,285	194,285	13,376	12,867
L192 - Lake Grace Bowling Club	48,498	0	8,567	8,567	39,931	39,931	3,010	2,839
L193 - Newdegate Bowling Club	35,145	0	4,339	4,339	30,806	30,806	1,651	1,625
L198 - Lake Grace Precinct	183,747	0	16,989	16,989	166,758	166,758	8,569	8,045
Transport								
L196 - Roadworks & Plant	368,904	0	40,256	40,256	328,648	328,648	14,853	13,675
Economic Services								
L189 - LG Residential Land	168,026	0	7,147	7,147	160,879	160,879	10,611	10,042
L199 - Standpipe Controllers	104,093	0	24,603	24,603	79,490	79,490	3,924	3,646
Other Property and Services								
L191 - Staff Housing	57,762	0	10,202	10,203	47,560	47,559	3,585	3,381
	1,859,727	0	212,404	212,405	1,647,323	1,647,322	100,312	95,681
Self Supporting Loans*								
Recreation and Culture								
L188 - LG Sportman's Club	48,498	0	8,567	8,567	39,931	39,931	2,754	2,839
Economic Services								
L201 - Lake Grace Develop Assoc	99,783	0	20,936	20,936	78,847	78,847	3,158	3,084
	148,281	0	29,503	29,503	118,778	118,778	5,912	5,923
	2,008,008	0	241,907	241,908	1,766,101	1,766,100	106,224	101,604

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

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

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

Council established an overdraft facility of \$100,000 in 2012 to assist with short term liquidity requirements.
The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was \$nil.

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

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR

(a) Rates	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
RATE TYPE											
General rate											
Gross rental value valuations											
GRV - General Rates	0.0897	378	3,857,436	346,012	(229)	0	345,783	346,012	823	0	346,835
Unimproved value valuations											
UV - General Rates	0.0086	583	267,558,837	2,301,006	0	0	2,301,006	2,301,006	0	0	2,301,006
Sub-Total		961	271,416,273	2,647,018	(229)	0	2,646,789	2,647,018	823	0	2,647,841
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - General Rates	400	44	71,873	17,600	0	0	17,600	17,600	0	0	17,600
Unimproved value valuations											
UV - General Rates	400	85	743,442	34,000	0	0	34,000	34,000	0	0	34,000
Sub-Total		129	815,315	51,600	0	0	51,600	51,600	0	0	51,600
		1,090	272,231,588	2,698,618	(229)	0	2,698,389	2,698,618	823	0	2,699,441
Total amount raised from General rate							2,698,389				2,699,441
Specified Area Rate (refer Note 23)							1,110,142				1,110,399
Ex-gratia rates							53,487				53,487
Totals							3,862,018				3,863,327

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

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR (Continued)

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 1 July brought forward	<u>1,608,569</u>	<u>2,108,542</u>	<u>2,108,542</u>
CURRENT ASSETS			
Cash and cash equivalents			
Cash at Hand - Unrestricted	700	400	400
Cash at Bank - Municipal Fund	1,831,326	1,996,555	1,996,555
Cash at Bank - CHOP Housing	44,669	44,669	44,669
Cash at Bank - Rural Town Salinity Program	5,404	5,404	5,404
Cash at Bank - Restricted Reserves	1,728,930	1,633,632	1,633,632
Receivables			
Rates outstanding	202,005	172,818	172,818
Sundry debtors	433,277	209,652	209,652
Provision For Doubtful Debts	(32,200)	(17,899)	(17,899)
GST receivable	72,535	56,949	56,949
Loans receivable - clubs/institutions	30,723	29,503	29,503
ESL Control	4,393	3,908	3,908
Accrued Income Prepayments	7,389	14,879	14,879
Inventories			
Fuel and materials	6,206	4,249	4,249
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(826,957)	(111,462)	(111,462)
Accrued interest on debentures	(16,132)	(18,153)	(18,153)
Accrued salaries and wages	(7,364)	(74,326)	(74,326)
ATO liabilities	(58,421)	(54,758)	(54,758)
Others	0	(102)	(102)
Accrued Expenditure	0	(66,048)	(66,048)
ESL Payable	(8,188)	(8,120)	(8,120)
Current portion of long term borrowings			
Secured by floating charge	(246,010)	(241,908)	(241,908)
Provisions			
Provision for annual leave	(228,522)	(232,614)	(232,614)
Provision for long service leave	(164,777)	(141,287)	(141,287)
Unadjusted net current assets	<u>2,778,986</u>	<u>3,205,941</u>	<u>3,205,941</u>
Adjustments			
Less: Reserves - restricted cash	(1,728,930)	(1,633,632)	(1,633,632)
Less: Municipal - restricted cash	(50,073)	(50,073)	(50,073)
Less: Loans receivable - clubs/institutions	(30,723)	(29,503)	(29,503)
Current portion of long term borrowings			
Add: Secured by floating charge	246,010	241,908	241,908
Add: Provision for Annual and Long Service Leave	393,299	373,901	373,901
Adjusted net current assets - surplus	<u><u>1,608,569</u></u>	<u><u>2,108,542</u></u>	<u><u>2,108,542</u></u>

Difference

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

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

23. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value \$	Rate Revenue \$	Total Specified Area Rate Revenue	Budget Rate Revenue \$
Residential Minimum	GRV	4.5812	1,956,050	89,611	89,611	89,611
Commercial Minimum	GRV	4.5812	618,713	28,344	28,344	28,343
Vacant Land Minimum	GRV	4.5812	112,801	5,168	5,168	5,168
1st Major Fixture				6,950	6,950	6,950
Additional Fixtures				4,647	4,647	4,648
Sport & Recreation						
- Lake Grace	GRV	6.1481	2,899,536	178,266	178,266	178,266
- Lake Grace	UV	0.4971	79,822,200	396,489	396,489	396,811
- Lake King	GRV	2.3369	240,231	5,614	5,614	5,614
- Lake King	UV	0.1607	54,752,500	87,987	87,987	87,975
- Newdegate	GRV	5.3382	695,211	37,112	37,112	37,112
- Newdegate	UV	0.2137	98,990,000	211,542	211,542	211,506
- Varley	GRV	3.5015	116,719	4,087	4,087	4,087
- Varley	UV	0.1607	33,805,000	54,325	54,325	54,308
				1,110,142	1,110,142	1,110,399

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	Rate Applied to Costs \$	Rate Set Aside to Reserve \$	Reserve Applied to Costs \$	Budget Rate Applied to Costs \$	Budget Rate Set Aside to Reserve \$	Budget Reserve Applied to Costs \$
Lake Grace Sewerage	Applied in full to operate & maintain the Sewerage Scheme.	Lake Grace Townsite	38,326	96,394	0	0	52,258	0
Sport & Recreation								
- Lake Grace	Applied in full for expenses relating to Halls, Swimming	Lake Grace District	574,755	0	0	0	0	0
- Lake King		Lake King District	93,601	0	0	0	0	0
- Newdegate	Pools, Other Rec & Sport,	Newdegate District	248,654	0	0	0	0	0
- Varley	Libraries & Other Culture	Varley District	58,412	0	0	0	0	0
			1,013,748	96,394	0	0	52,258	0

24. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

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

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

Rates Discounts

No discount on rates were granted.

Waivers or Concessions

No waivers or concessions were granted.

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

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	11-Sep-15	0	0.00%	11.00%
Option Two				
First Instalment	11-Sep-15	0	0.00%	11.00%
Second Instalment	15-Jan-16	11	5.50%	11.00%
Option Three				
First Instalment	11-Sep-15	0	0.00%	11.00%
Second Instalment	13-Nov-15	11	5.50%	11.00%
Third Instalment	15-Jan-16	11	5.50%	11.00%
Fourth Instalment	15-Mar-16	11	5.50%	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	33,669	27,541
Interest on instalment plan	12,615	15,914
Charges on instalment plan	5,654	8,240
	51,938	51,695

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

	2016	2015
	\$	\$
27. FEES & CHARGES		
Governance	15,150	17,312
General purpose funding	7,235	8,378
Law, order, public safety	3,157	2,966
Health	4,184	791
Housing	6,606	36,051
Community amenities	310,144	134,199
Recreation and culture	43,199	44,567
Economic services	134,650	8,619
Other property and services	47,685	47,121
	<u>572,010</u>	<u>300,004</u>

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

28. GRANT REVENUE

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

	2016	2015
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
Governance	0	25,000
General purpose funding	1,089,708	3,370,211
Law, order, public safety	43,247	46,476
Health	0	1,750
Community amenities	0	18,000
Recreation and culture	34,000	87,190
Transport	270,000	255,929
Economic services	0	66,548
Other property and services	0	7,915
	<u>1,436,955</u>	<u>3,879,019</u>
Non-operating grants, subsidies and contributions		
Housing	522,825	752,231
Community amenities	33,361	9,937
Recreation and culture	32,032	349,000
Transport	2,076,495	810,995
	<u>2,664,713</u>	<u>1,922,163</u>
	<u>4,101,668</u>	<u>5,801,182</u>

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>33</u>	<u>39</u>
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30. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	26,580	18,588	20,989
President's allowance	11,112	11,112	14,678
Deputy President's allowance	2,778	2,778	3,669
Travelling expenses	18,660	21,266	16,692
Telecommunications Allowance	2,909	0	0
	<u>62,039</u>	<u>53,744</u>	<u>56,028</u>

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

31. MAJOR LAND TRANSACTIONS

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

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

If the Shire did participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,611,029	3,680,660	3,611,029	3,680,660
Receivables	835,694	621,976	835,694	621,976
	<u>4,446,723</u>	<u>4,302,636</u>	<u>4,446,723</u>	<u>4,302,636</u>
Financial liabilities				
Payables	917,062	332,969	917,062	332,969
Borrowings	1,766,101	2,008,008	1,996,396	2,147,311
	<u>2,683,163</u>	<u>2,340,977</u>	<u>2,913,458</u>	<u>2,480,280</u>

Fair value is determined as follows:

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

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash 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.

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

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

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

	2016	2015
	\$	\$
- Equity	36,110	36,807
- Statement of Comprehensive Income	36,110	36,807

Notes:

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

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

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

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	89%	88%
- Overdue	11%	12%

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	917,062	0	0	917,062	917,062
Borrowings	335,181	1,069,264	838,310	2,242,755	1,766,101
	<u>1,252,243</u>	<u>1,069,264</u>	<u>838,310</u>	<u>3,159,817</u>	<u>2,683,163</u>
<u>2015</u>					
Payables	332,969	0	0	332,969	332,969
Borrowings	344,928	1,261,545	1,019,818	2,626,291	2,008,008
	<u>677,897</u>	<u>1,261,545</u>	<u>1,019,818</u>	<u>2,959,260</u>	<u>2,340,977</u>

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	52,570	115,852	309,521	0	1,288,157	1,766,100	5.23%
Weighted average Effective interest rate	0.00%	7.51%	4.51%	5.22%	0.00%	5.20%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	8,080	0	76,086	250,941	280,442	1,392,459	2,008,008	4.13%
Weighted average Effective interest rate	4.46%	0.00%	5.01%	3.96%	5.90%	5.19%		

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

34. PRIOR PERIOD CORRECTIONS

Balances relating to the 2015 comparative year have been amended due to the correction of prior period errors. These errors have been adjusted as shown below and, in accordance with the requirements of AASB101.

The two properties: Varley Health Clinic and Varley Resource and Telecentre, are not managed by the Shire of Lake Grace and have been moved from the Asset Register.

The Revaluation of Councils Road Network was overstated during the revaluation carried out to determine the fair value as per AASB 13, the fair value has now been rectified as represented below.

Effect of the above:	Original Balance \$	Amount of Adjustment \$	Adjusted Balance \$
Statement of Comprehensive Income as of 30 June 2015			
- by Nature or Type			
Other expenditure	(91,283)	(172,053)	(263,336)
Net result	3,010,078	(172,053)	2,838,025
Changes on Revaluation of non-current Assets	282,250,983	(265,407,665)	16,843,318
Total other comprehensive income	282,250,983	(265,407,665)	16,843,318
Total comprehensive income	285,261,061	(265,579,718)	19,681,343
- by Program			
Expenses			
Health	(280,024)	(85,462)	(365,486)
Recreation and culture	(1,259,230)	(86,591)	(1,345,821)
Net result	3,010,078	(172,053)	2,838,025
Changes on Revaluation of non-current Assets	282,250,983	(265,407,665)	16,843,318
Total other comprehensive income	282,250,983	(265,407,665)	16,843,318
Total comprehensive income	285,261,061	(265,579,718)	19,681,343
Statement of Financial Position as of 30 June 2015			
Property, Plant and Equipment	43,358,072	(172,053)	43,186,019
Infrastructure	413,283,312	(265,407,665)	147,875,647
Total Non-Current Assets	457,333,858	(265,579,718)	191,754,140
Total Assets	461,488,577	(265,579,718)	195,908,859
Retained Surplus	146,660,155	(172,053)	146,488,102
Revaluation Surplus	310,423,173	(265,407,665)	45,015,508
Total Equity	458,716,960	(265,579,718)	193,137,242
Statement of Changes in Equity as of 30 June 2015			
Retained Surplus	146,660,155	(172,053)	146,488,102
Revaluation Surplus	310,423,173	(265,407,665)	45,015,508
Total Equity	458,716,960	(265,579,718)	193,137,242
Rate Setting Statement as of 30 June 2015			
Expenditure from operating activities			
Other Property and services	(626,862)	(172,053)	(798,915)
Operating activities excluded from budget			
Asset written off	0	172,053	172,053
Note 6(a) Property, Plant & Equipment			
Buildings - Specialised	34,541,184	(172,053)	34,369,131
Total Buildings	38,028,332	(172,053)	37,856,279
Total Land and Buildings	40,740,238	(172,053)	40,568,185
Total Property, Plant & Equipment	43,358,072	(172,053)	43,186,019
Note 6(b) Property, Plant & Equipment			
Buildings - Specialised	34,541,184	(172,053)	34,369,131
Total Buildings	38,028,332	(172,053)	37,856,279
Total Land and Buildings	40,740,238	(172,053)	40,568,185
Total Property, Plant and Equipment	43,358,072	(172,053)	43,186,019
Note 7(a) - Infrastructure			
Roads	400,579,474	(265,407,665)	135,171,809
Total Infrastructure	413,283,312	(265,407,665)	147,875,647
Note 7(b) - Infrastructure			
Movements in Carrying Amounts			
Roads	400,579,474	(265,407,665)	135,171,809
Total Infrastructure	413,283,312	(265,407,665)	147,875,647
Note 12 - Revaluation Surplus			
Roads	275,841,676	(261,110,513)	14,731,163
Total Revaluation Surplus	310,423,173	(261,110,513)	45,015,508
Note 13 - Notes to the Statement of Cash Flows			
Reconciliation of Net Cash Provided by			
Operating Activities to Net Result			
Net result	3,680,660	(842,635)	2,838,025
Asset written off	0	172,053	172,053
Note 17 - Total Assets Classified by Function and Activity			
Health	3,346,306	(85,407)	3,260,899
Recreation and culture	26,572,348	(86,646)	26,485,702
Transport	408,120,211	(265,407,665)	142,712,546
Total Assets Classified by Function and Activity	461,488,577	(265,579,718)	195,908,859

MOORE STEPHENS

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF LAKE GRACE

REPORT ON THE FINANCIAL REPORT

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

Management's Responsibility for The Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion, the financial report of the Shire of Lake Grace 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 LAKE GRACE (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 61 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it they are 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: 16 February 2017
Perth, WA

**SHIRE OF LAKE GRACE
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	0.99	0.69
Asset renewal funding ratio	1.23	1.16	*

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

* Council was unable to calculate the asset renewal funding ratio as the asset management plan was not adopted.