

**AGENDA**  
**AUDIT COMMITTEE MEETING**  
**TO BE HELD ON THE 16<sup>th</sup> DECEMBER 2016 AT THE NORTHAMPTON**  
**COUNCIL CHAMBERS, HAMPTON ROAD, NORTHAMPTON COMMENCING AT**  
**11.00AM**

**AC1. OPENING**

**AC2. PRESENT**

**AC3. APOLOGIES**

**AC5. RECEIVAL OF MINUTES**

A copy of the minutes from the Audit Committee Meeting held on the 18th December 2015 are attached.

**AC6. BUSINESS ARISING FROM MINUTES**

**AC7. 2015/2016 ANNUAL REPORT**

Discuss the 2015/2016 Audit Report, Management Report & Annual Financial Report.

**AC8. CLOSURE**

**GARRY KEEFFE**  
**CHIEF EXECUTIVE OFFICER**  
**SHIRE OF NORTHAMPTON**  
**9<sup>th</sup> DECEMBER 2016**

<b>AC7</b>	<b>2015/2016 ANNUAL REPORT</b>										
	<table> <tr> <td><b>FILE REFERENCE:</b></td> <td><b>1.1.1</b></td> </tr> <tr> <td><b>CORRESPONDENT:</b></td> <td><b>Moore Stephens</b></td> </tr> <tr> <td><b>DATE OF REPORT:</b></td> <td><b>2 December 2016</b></td> </tr> <tr> <td><b>REPORTING OFFICER:</b></td> <td><b>Grant Middleton</b></td> </tr> <tr> <td><b>APPENDICES:</b></td> <td><b>1. Annual Report (separate to the agenda) including the Financial Report, Audit Report and Management Report</b></td> </tr> </table>	<b>FILE REFERENCE:</b>	<b>1.1.1</b>	<b>CORRESPONDENT:</b>	<b>Moore Stephens</b>	<b>DATE OF REPORT:</b>	<b>2 December 2016</b>	<b>REPORTING OFFICER:</b>	<b>Grant Middleton</b>	<b>APPENDICES:</b>	<b>1. Annual Report (separate to the agenda) including the Financial Report, Audit Report and Management Report</b>
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<b>REPORTING OFFICER:</b>	<b>Grant Middleton</b>										
<b>APPENDICES:</b>	<b>1. Annual Report (separate to the agenda) including the Financial Report, Audit Report and Management Report</b>										

**SUMMARY:**

Formal receipt of Annual Report by the Audit Committee, including the Annual Financial Statements, Audit Report and Management Report.

Telephone contact will be made with Council's Auditor, Mr Greg Godwin from Moore Stephens to discuss the Financial Statements, Audit and Management Reports with Audit Committee members. This will provide Audit Committee members with the opportunity to discuss the reports and seek clarification in relation to the audit results including target ratios with Council's audit partner prior to receipt of the reports.

**BACKGROUND:**

Members have been provided with a hard copy of the 2015/2016 Annual Report.

The Annual Report is to be formally adopted by Council and once adopted an electors meeting can be held but no more than 56 days after the adoption of the report as per section 5.27 of the Local Government Act 1995.

**COMMENT:**

There have been no matters of non-compliance raised in the Audit Report.

The Ratios provided have been extracted from the Management Report and represent the Shires adjusted and un-adjusted ratios. All ratios apart from the Current Ratio are below accepted industry benchmarks. Two ratios including the Debt Service Cover Ratio and Operating Surplus Ratio have been adjusted for one off cash and non cash transactions. Additionally the table identifies two of the seven ratios trending up while five are trending down over a four and five year period. However the Debt service cover ratio does not allow for the significant proportion of Council loans being funded externally and the increased Infrastructure depreciation is having a negative impact on a

number of the Ratios. Infrastructure depreciation increased from \$1,106,520 in 2014/2015 to \$2,664,114 in 2015/2016 predominately due to the revaluation of road infrastructure.

All target ratios are as per the Department of Local Government and Communities Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens.

	Target Ratio <sup>1</sup>	Shire's Adjusted Ratios						Shire's 5 Year Trend <sup>2</sup>	4 Year Average <sup>3</sup>	
		Actual 2016	2016	2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	1.35	1.35	1.02*	1.42	2.71	0.84	↓	3.31	2.29
Asset Sustainability Ratio	≥ 1.1	1.06	1.06	0.98	2.17	0.93	2.80	↓	1.27	1.23
Debt Service Cover Ratio	≥ 15	2.92	3.93*	6.80*	2.64	7.60*	3.92	↑	12.49	14.01
Operating Surplus Ratio	≥ 0.15	(0.56)	(0.42)*	(0.12)*	(0.20)	(0.02)*	(0.14)	↓	0.03	(0.02)
Own Source Revenue Coverage Ratio	≥ 0.9	0.54	0.54	0.63*	0.67	0.64*	0.62	↓	0.59	0.68
Asset Consumption Ratio	≥ 0.75	0.69	0.69	0.75	0.73	0.61	N/A	↓	0.63	1.16
Asset Renewal Funding Ratio	≥ 1.05	1.00	1.00	1.00	0.74	0.75	N/A	↑	0.88	1.00

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

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

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

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

#### STATUTORY IMPLICATIONS:

State: Local Government Act 1995 – Regulation 14 Local Government (Audit) Regulations 1996

#### VOTING REQUIREMENT:

Simple Majority Required:

**OFFICER RECOMMENDATION - ITEM AC7**  
That the 2015/2016 Annual Report including the Annual Financial Statements, Audit Report and Management Report as presented be received.



**SHIRE OF NORTHAMPTON**

**Minutes of the Audit Committee held at the Council Chambers, Hampton Road, Northampton,  
on Friday 18<sup>th</sup> December 2015.**

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AC1.	OPENING	2
AC2.	PRESENT	2
AC3.	APOLOGIES	2
AC4.	ELECTION OF CHAIRPERSON	2
AC5.	CONFIRMATION OF MINUTES	2
AC6.	BUSINESS ARISING FROM MINUTES	2
AC7.	REVIEW OF 2014/2015 ANNUAL REPORT	3
AC8.	PROVISION OF AUDIT SERVICES	3
AC9.	CLOSURE	3

**SHIRE OF NORTHAMPTON**

**Minutes of the Audit Committee held at the Council Chambers, Hampton Road, Northampton,  
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AC1. OPENING

The Deputy CEO Mr Grant Middleton thanked all members present for their attendance and declared the meeting open at 11.00am.

AC2. PRESENT

Cr C Simkin	Chairperson	Northampton Ward
Cr D Stanich		Northampton Ward
Cr T Carson		Northampton Ward
Cr R Suckling		Northampton Ward
Cr M Holt		Kalbarri Ward
Mr Grant Middleton	(Minutes)	Deputy Chief Executive Officer
Mr Garry Keeffe	(Observer)	Chief Executive Officer

AC3. APOLOGIES

Nil

AC4. ELECTION OF CHAIRPERSON

The Deputy CEO called for called for nominations for the position of Chairperson.

Cr Holt nominated Cr Simkin for Chairperson for the position ; Cr Simkin accepted the nomination. There being no further nominations Cr Simkin was elected to the position of Chairperson of the Audit Committee. The Deputy CEO handed the meeting to Cr Simkin.

AC5. CONFIRMATION OF MINUTES

Moved Cr Carson, seconded Cr Holt

That the minutes of the Audit Committee Meeting held on the 19<sup>th</sup> December 2014 be received as a true and correct record.

CARRIED 4/0

AC6. BUSINESS ARISING FROM MINUTES

Nil.

Cr Stanich entered meeting at 11.35am.

Cr

**SHIRE OF NORTHAMPTON**

**Minutes of the Audit Committee held at the Council Chambers, Hampton Road, Northampton,  
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AC7. REVIEW OF 2014/2015 ANNUAL REPORT

Mr Greg Godwin the Shire's Audit Partner from UHY Haines Norton addressed the Audit Committee and discussed the Financial Statements, Audit Report and Management Report.

Moved Cr Suckling, seconded Cr Carson

That it be recommended to Council that the 2014/2015 Annual Report including the Annual Financial Statements, Audit Report and Management Report as presented be received.

CARRIED 5/0

AC8. PROVISION OF AUDIT SERVICES

Moved Cr Carson, seconded Cr Suckling

That the Audit Committee in accordance with section 7.3 of the Local Government Act 1995 recommend to Council the appointment of Mr Greg Godwin, Mr David Tomasi and Mr Wen-Shien Chai from Moore Stephens as the Shires audit partner for a period of 2 years commencing in the 2015/2016 financial year and concluding with the finalisation of the 2016/2017 annual financial statements.

CARRIED 5/0

AC9. CLOSURE

There being no further business, the Chairperson thanked all present for their attendance and declared the meeting closed at 12.00 noon.

30 November 2016

Mr Garry Keeffe  
Chief Executive Officer  
Shire of Northampton  
PO Box 61  
NORTHAMPTON WA 6535

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Dear Garry

**AUDIT OF SHIRE OF NORTHAMPTON  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

We advise that we have completed the audit of your Shire for the year ended 30<sup>th</sup> June 2016 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely



Greg Godwin  
Partner  
[Moore Stephens](http://www.moorestephens.com.au)

Encl.



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## **INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF NORTHAMPTON**

### **REPORT ON THE FINANCIAL REPORT**

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

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial report of the Shire of Northampton 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 NORTHAMPTON (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 60 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

MOORE STEPHENS  
CHARTERED ACCOUNTANTS

  
GREG GODWIN  
PARTNER

Date: 30 November 2016  
Perth, WA

30 November 2016

**MOORE STEPHENS**

The Shire President  
Shire of Northampton  
PO Box 61  
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Dear Cr Simkin

## MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

## COMMENT ON RATIOS

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

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

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

	Target Ratio <sup>1</sup>	Actual 2016	Shire's Adjusted Ratios					Shire's 5 Year Trend <sup>2</sup>	4 Year Average <sup>3</sup>	
			2016	2015	2014	2013	2012		Regional	State
Current Ratio	≥ 1	1.35	1.35	1.02*	1.42	2.71	0.84	↓	3.31	2.29
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<sup>1</sup>Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experience). For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

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

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

## COMMENT ON RATIOS (CONTINUED)

### Adjustments relating to 2016

Two of the ratios in the accompanying table were distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGs) totaling \$767,320 received on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016.

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

### Regional and State 4 Year Averages

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

### Commentary on specific ratios

- **Debt Service Cover Ratio**

The Debt Service Cover Ratio measures the Shire’s ability to service debt out of its uncommitted or general purpose funds available from its operations.

After adjusting for the early payment of FAGs grants in the previous year, the ratio has improved in the current year and is trending upwards, however it is still below both the Regional and State 4 year averages.

Based on our experience a Local Government of your circumstances with a Debt Service Ratio consistently below 15 would be experiencing difficulty in maintaining their assets and service level over the medium and longer term.

As Council is already committed to its current level of borrowings, improvement of the operating surplus in the short term and consideration of the effect increased borrowings have on the Shire’s ratios over the longer term will assist Council manage the interaction of its ratio position.

- **Operating Surplus Ratio**

The Operating Surplus Ratio represents the percentage by which the operating surplus (or deficit) differs from the Shire’s own source revenue which includes rates and operating grants.

After adjusting for the early payment of FAGs grants in the previous year, the ratio has deteriorated in the current year and is trending downwards. The ratio is also below both the Regional and State 4 year averages.

Analysis of the Shire’s Statement of Comprehensive Income indicates the main reason the ratio is below target, to be an increase in operating expenditure associated with the increase in depreciation (as discussed above), without a corresponding increase in operating income. Total depreciation increased from \$1,923,596 in 2015 to \$3,619,588 in 2016. This increase in depreciation is attributable to the revaluation of infrastructure assets conducted during the year ended 30 June 2015 which resulted in a significantly higher depreciable asset base.

The Remaining Useful Life (RUL) assessments performed on individual assets was not comprehensive enough to adjust to more realistic conditions which may have resulted in a lower depreciation expense. Whilst the approach to conditions was considered conservative, we suggest this be reviewed as it may result in an unrealistic distortion to the ratios represented.

Both Council and management will need to consider ways to improve the operating position, either via increasing revenue or by decreasing expenditure (or a combination of both). This will be dependent upon Council and management’s understanding of the Shire’s circumstances and the interaction between the operating surplus and the other ratios and operations in general.

## COMMENT ON RATIOS (CONTINUED)

### Summary

As all the ratios, excluding the Current ratio, are below the accepted industry benchmark and a number of the ratios are trending downwards over the longer term, moving forward, measures and strategies to reverse the downward trends and improve the overall level of the ratios should be considered.

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

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

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

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

We noted no other matters we wish to bring to your attention.

### UNCORRECTED MISSTATEMENTS

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

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

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

Yours faithfully



Greg Godwin  
Partner  
Moore Stephens

Encl.

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

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	58
Supplementary Ratio Information	60

Principal place of business:  
199 Hampton Road  
NORTHAMPTON WA 6535

SHIRE OF NORTHAMPTON  
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 30th day of November 2016



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Garry L Keefe  
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	22	3,984,769	4,005,044	3,799,302
Operating grants, subsidies and contributions	29	1,627,202	1,296,988	3,080,428
Fees and charges	28	1,160,755	1,085,766	1,059,641
Interest earnings	2(a)	111,532	112,200	128,673
Other revenue	2(a)	4,409	0	5,720
		<u>6,888,667</u>	<u>6,499,998</u>	<u>8,073,764</u>
<b>Expenses</b>				
Employee costs		(2,827,427)	(2,782,410)	(2,641,645)
Materials and contracts		(2,112,267)	(2,307,329)	(2,363,309)
Utility charges		(388,581)	(344,650)	(359,631)
Depreciation on non-current assets	2(a)	(3,619,588)	(1,888,665)	(1,923,596)
Interest expenses	2(a)	(81,388)	(73,303)	(73,557)
Insurance expenses		(263,590)	(243,352)	(230,681)
Other expenditure		(336,101)	(240,808)	(251,876)
		<u>(9,628,942)</u>	<u>(7,880,517)</u>	<u>(7,844,295)</u>
		(2,740,275)	(1,380,519)	229,469
Non-operating grants, subsidies and contributions	29	2,441,920	2,531,210	924,414
Profit on asset disposals	20	11,637	23,500	58,377
(Loss) on asset disposals	20	(67,679)	(81,500)	(124,498)
Fair value adjustments to financial assets at				
(Loss) on revaluation of furniture and equipment	6(b)	(6,038)	0	0
(Loss) on revaluation of plant and equipment	6(b)	(168,741)	0	0
<b>Net result</b>		<u>(529,176)</u>	<u>1,092,691</u>	<u>1,087,762</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	0	0	88,055,186
<b>Total other comprehensive income</b>		<u>0</u>	<u>0</u>	<u>88,055,186</u>
<b>Total comprehensive income</b>		<u>(529,176)</u>	<u>1,092,691</u>	<u>89,142,948</u>

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



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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		63,657	28,700	91,015
General purpose funding		4,809,518	4,813,157	6,179,090
Law, order, public safety		142,875	80,373	128,370
Health		38,736	52,840	44,539
Education and welfare		224,023	199,660	207,119
Housing		23,677	21,570	17,478
Community amenities		1,027,254	808,960	819,639
Recreation and culture		97,932	56,715	150,541
Transport		164,955	157,125	94,976
Economic services		169,417	134,811	134,238
Other property and services		126,623	146,087	206,759
		<u>6,888,667</u>	<u>6,499,998</u>	<u>8,073,764</u>
<b>Expenses</b>	2(a)			
Governance		(846,062)	(834,084)	(813,781)
General purpose funding		(119,701)	(105,299)	(118,403)
Law, order, public safety		(532,777)	(632,075)	(744,536)
Health		(219,756)	(219,535)	(230,905)
Education and welfare		(276,702)	(216,984)	(245,802)
Housing		(128,818)	(111,814)	(109,396)
Community amenities		(1,244,226)	(1,294,136)	(1,184,860)
Recreation and culture		(1,627,314)	(1,451,471)	(1,496,101)
Transport		(4,263,244)	(2,644,956)	(2,468,505)
Economic services		(251,217)	(284,215)	(228,842)
Other property and services		(37,737)	(12,645)	(129,607)
		<u>(9,547,554)</u>	<u>(7,807,214)</u>	<u>(7,770,738)</u>
<b>Finance costs</b>	2(a)			
Housing		(14,378)	0	0
Recreation and culture		(7,141)	(5,962)	(8,238)
Transport		(34,782)	(28,814)	(38,453)
Other property and services		(25,087)	(38,527)	(26,866)
		<u>(81,388)</u>	<u>(73,303)</u>	<u>(73,557)</u>
		<u>(2,740,275)</u>	<u>(1,380,519)</u>	<u>229,469</u>
Non-operating grants, subsidies and contributions	29	2,441,920	2,531,210	924,414
Profit on disposal of assets	20	11,637	23,500	58,377
(Loss) on disposal of assets	20	(67,679)	(81,500)	(124,498)
Fair value adjustments to financial assets at				
(Loss) on revaluation of furniture and equipment	6(b)	(6,038)	0	0
(Loss) on revaluation of plant and equipment	6(b)	(168,741)	0	0
<b>Net result</b>		<u>(529,176)</u>	<u>1,092,691</u>	<u>1,087,762</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
<b>Total other comprehensive income</b>		<u>0</u>	<u>0</u>	<u>88,055,186</u>
<b>Total comprehensive income</b>		<u>(529,176)</u>	<u>1,092,691</u>	<u>89,142,948</u>

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

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

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	4,295,809	6,596,730
Trade and other receivables	4	460,260	424,272
Inventories	5	243,737	255,542
<b>TOTAL CURRENT ASSETS</b>		<u>4,999,806</u>	<u>7,276,544</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	421,140	443,881
Property, plant and equipment	6	33,473,472	32,724,406
Infrastructure	7	150,079,791	150,605,890
<b>TOTAL NON-CURRENT ASSETS</b>		<u>183,974,403</u>	<u>183,774,177</u>
<b>TOTAL ASSETS</b>		<u>188,974,209</u>	<u>191,050,721</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	2,672,714	4,074,984
Current portion of long term borrowings	9	177,776	168,585
Provisions	10	669,857	593,123
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,520,347</u>	<u>4,836,692</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	9	1,017,802	1,195,578
Provisions	10	38,486	91,701
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,056,288</u>	<u>1,287,279</u>
<b>TOTAL LIABILITIES</b>		<u>4,576,635</u>	<u>6,123,971</u>
<b>NET ASSETS</b>		<u>184,397,574</u>	<u>184,926,750</u>
<b>EQUITY</b>			
Retained surplus		79,855,820	80,104,409
Reserves - cash backed	11	1,284,031	1,564,618
Revaluation surplus	12	103,257,723	103,257,723
<b>TOTAL EQUITY</b>		<u>184,397,574</u>	<u>184,926,750</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		79,317,119	1,264,146	15,202,537	95,783,802
Comprehensive income		1,087,762	0	0	1,087,762
Net result		1,087,762	0	0	88,055,186
Changes on revaluation of assets	12	0	0	88,055,186	88,055,186
Total comprehensive income		1,087,762	0	88,055,186	89,142,948
Transfers from/(to) reserves		(300,472)	300,472	0	0
<b>Balance as at 30 June 2015</b>		<b>80,104,409</b>	<b>1,564,618</b>	<b>103,257,723</b>	<b>184,926,750</b>
Comprehensive income		(529,176)	0	0	(529,176)
Net result		(529,176)	0	0	(529,176)
Changes on revaluation of assets	12	0	0	0	0
Total comprehensive income		(529,176)	0	0	(529,176)
Transfers from/(to) reserves		280,587	(280,587)	0	0
<b>Balance as at 30 June 2016</b>		<b>79,855,820</b>	<b>1,284,031</b>	<b>103,257,723</b>	<b>184,397,574</b>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		3,995,828	4,023,410	3,763,044
Operating grants, subsidies and contributions		1,573,488	1,332,101	3,277,727
Fees and charges		1,160,755	1,085,766	1,042,772
Interest earnings		111,532	112,200	128,673
Goods and services tax		0	0	15,662
Other revenue		4,409	0	5,720
		<u>6,846,012</u>	<u>6,553,477</u>	<u>8,233,598</u>
<b>Payments</b>				
Employee costs		(2,888,252)	(2,807,817)	(2,545,179)
Materials and contracts		(3,408,177)	(2,216,315)	1,097,733
Utility charges		(388,581)	(344,650)	(359,631)
Interest expenses		(82,841)	(74,755)	(75,471)
Insurance expenses		(263,590)	(243,352)	(230,681)
Other expenditure		(336,101)	(240,808)	(251,876)
		<u>(7,367,542)</u>	<u>(5,927,697)</u>	<u>(2,365,105)</u>
<b>Net cash provided by (used in) operating activities</b>	13(b)	<u>(521,530)</u>	<u>625,780</u>	<u>5,868,493</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(2,124,951)	(2,382,900)	(1,655,479)
Payments for construction of infrastructure		(2,138,015)	(2,801,344)	(1,529,890)
Transfer of Land Held for Resale		0	0	72,727
Non-operating grants, subsidies and contributions		2,441,920	2,531,210	924,414
Proceeds from sale of fixed assets		189,590	224,000	310,401
<b>Net cash provided by (used in) investment activities</b>		<u>(1,631,456)</u>	<u>(2,429,034)</u>	<u>(1,877,827)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(168,585)	(168,586)	(131,207)
Proceeds from self supporting loans		20,650	20,621	19,734
Proceeds from new debentures		0	0	350,000
<b>Net cash provided by (used in) financing activities</b>		<u>(147,935)</u>	<u>(147,965)</u>	<u>238,527</u>
<b>Net increase (decrease) in cash held</b>		(2,300,921)	(1,951,219)	4,229,193
Cash at beginning of year		6,596,730	2,977,140	2,367,537
<b>Cash and cash equivalents at the end of the year</b>	13(a)	<u><u>4,295,809</u></u>	<u><u>1,025,921</u></u>	<u><u>6,596,730</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>		1,391,487	1,530,155	1,106,696
		<u>1,391,487</u>	<u>1,530,155</u>	<u>1,106,696</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		69,021	40,700	91,015
General purpose funding		868,114	851,413	2,421,464
Law, order, public safety		142,875	80,373	128,370
Health		38,736	52,840	44,539
Education and welfare		224,023	199,660	207,119
Housing		23,677	21,570	70,769
Community amenities		1,027,254	808,960	819,639
Recreation and culture		97,932	56,715	150,541
Transport		164,955	157,625	100,062
Economic services		175,690	145,811	134,238
Other property and services		126,623	146,087	206,759
		<u>2,958,900</u>	<u>2,561,754</u>	<u>4,374,515</u>
<b>Expenditure from operating activities</b>				
Governance		(846,062)	(834,084)	(813,781)
General purpose funding		(119,701)	(105,299)	(118,403)
Law, order, public safety		(532,777)	(632,075)	(744,536)
Health		(219,756)	(219,535)	(234,757)
Education and welfare		(276,702)	(216,984)	(245,802)
Housing		(143,196)	(111,814)	(109,396)
Community amenities		(1,244,226)	(1,294,136)	(1,189,820)
Recreation and culture		(1,634,455)	(1,457,433)	(1,504,339)
Transport		(4,365,705)	(2,755,270)	(2,525,318)
Economic services		(251,217)	(284,215)	(228,842)
Other property and services		(62,824)	(51,172)	(253,799)
		<u>(9,696,621)</u>	<u>(7,962,017)</u>	<u>(7,968,793)</u>
<b>Operating activities excluded from budget</b>				
(Profit) on disposal of assets	20	(11,637)	(23,500)	(58,377)
Loss on disposal of assets	20	67,679	81,500	124,498
Movement in land held for resale		12,273	0	0
Movement in deferred pensioner rates (non-current)		2,091	0	(9,691)
Movement in employee benefit provisions (current/non-current)		23,519	0	81,189
Depreciation and amortisation on assets	2(a)	3,619,588	1,888,665	1,923,596
<b>Amount attributable to operating activities</b>		<u>(1,632,721)</u>	<u>(1,923,443)</u>	<u>(426,367)</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		2,441,920	2,531,210	924,414
Proceeds from disposal of assets	20	189,590	224,000	310,401
Adjustment Land Held for Resale		0	0	72,727
Purchase of property, plant and equipment	6(b)	(2,124,951)	(2,382,900)	(1,655,479)
Purchase and construction of infrastructure	7(b)	(2,138,015)	(2,801,344)	(1,529,890)
<b>Amount attributable to investing activities</b>		<u>(1,631,456)</u>	<u>(2,429,034)</u>	<u>(1,877,827)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of debentures	21(a)	(168,585)	(168,586)	(131,207)
Proceeds from new debentures	21(a)	0	0	350,000
Proceeds from self supporting loans		20,650	20,621	19,734
Transfers to reserves (restricted assets)	11	(347,796)	(89,685)	(303,552)
Transfers from reserves (restricted assets)	11	628,383	628,383	3,080
<b>Amount attributable to financing activities</b>		<u>132,652</u>	<u>390,733</u>	<u>(61,945)</u>
<b>Surplus(deficiency) before general rates</b>		<u>(3,131,525)</u>	<u>(3,961,744)</u>	<u>(2,366,139)</u>
<b>Total amount raised from general rates</b>	22	<u>3,941,404</u>	<u>3,961,744</u>	<u>3,757,626</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	23	<u><u>809,879</u></u>	<u><u>0</u></u>	<u><u>1,391,487</u></u>

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

**SHIRE OF NORTHAMPTON**  
**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 Equivalent**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Depreciation***

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Parks and Ovals	40 - 50 years
Airport	50 - 100 years
Water supply piping and drainage systems	75 years

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

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

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

***Capitalisation threshold***

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

**SHIRE OF NORTHAMPTON**  
**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 NORTHAMPTON  
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 NORTHAMPTON  
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 NORTHAMPTON**  
**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 NORTHAMPTON**  
**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 NORTHAMPTON**  
**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 NORTHAMPTON**  
**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 NORTHAMPTON**  
**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 <sup>(1)</sup>	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 NORTHAMPTON  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Notes:**

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

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

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net result includes:			
(i) Charging as an expense:			
<b>Auditors remuneration</b>			
- Audit of the annual financial report	23,795	17,605	
- Financial Management Review	0	195	
- Assistance with the finalisation of the annual financial report	500	10,517	
- Other services	8,750	5,954	
<b>Depreciation</b>			
Buildings - non-specialised	75,712	28,481	
Buildings - specialised	499,309	463,203	
Furniture and equipment	23,407	24,290	
Plant and equipment	357,046	301,102	
Infrastructure - roads	2,327,384	948,561	
Infrastructure - footpaths	22,598	0	
Infrastructure - drainage	163,176	21,224	
Infrastructure - parks and ovals	101,648	113,877	
Airports	49,308	22,858	
	<u>3,619,588</u>	<u>1,923,596</u>	
<b>Interest expenses (finance costs)</b>			
Debentures (refer Note 21 (a))	81,388	73,557	
	<u>81,388</u>	<u>73,557</u>	
(ii) Crediting as revenue:			
<b>Other revenue</b>			
Other	4,409	5,720	
	<u>4,409</u>	<u>5,720</u>	
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest earnings</b>			
- Reserve funds	31,333	32,000	45,189
- Other funds	32,471	38,000	38,428
Other interest revenue (refer note 27)	47,728	42,200	45,056
	<u>111,532</u>	<u>112,200</u>	<u>128,673</u>

**SHIRE OF NORTHAMPTON**  
**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**

A proud and unique community recognising the past and creating the future.  
Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

**GOVERNANCE**

**Objective:**

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

**Activities:**

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district.

**GENERAL PURPOSE FUNDING**

**Objective:**

To collect revenue to allow for the provision of services.

**Activities:**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

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

**Activities:**

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

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Inspection of food outlets and their control, administration of health local laws and maintenance of the Northampton and Kalbarri doctors surgery.

**EDUCATION AND WELFARE**

**Objective:**

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

**Activities:**

Maintenance of child minding centre's, operational costs associated with Northampton Child Care Association and Kalbarri Aged Care Housing maintenance.

**HOUSING**

**Objective:**

To provide and maintain staff and elderly residents housing.

**Activities:**

Provision and maintenance of staff and elderly residents housing.



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

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

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

**Objective:**

To provide services required by the community.

**Activities:**

Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

**RECREATION AND CULTURE**

**Objective:**

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

**Activities:**

Maintenance of public halls, civic centres, beaches and foreshores, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, maintenance of heritage sites and other cultural facilities.

**TRANSPORT**

**Objective:**

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

**Activities:**

Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and street lighting, signage and maintenance of the airstrip.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

Tourism and area promotion. Operation of the Port Gregory water supply, building control expenses and water standpipes.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control Shire's overheads and works accounts.

**Activities:**

Private works operation, plant repair and engineering operation costs.

**SHIRE OF NORTHAMPTON**  
**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	Adjustment (1)	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
			Balance (1) 1/07/14	2014/15	2014/15	2014/15	Balance (1) 30/06/15	2015/16	2015/16	Balance 30/06/16
			\$	\$	\$	\$	\$	\$	\$	\$
	Roads to Recovery	Transport	114,414	159	0	(114,414)	159	717,520	(654,095)	63,584
	Royalties For Regions - LIA	Regional Development	361,000	0	0	(361,000)	0	0	0	0
	<b>Total</b>		<b>475,414</b>	<b>159</b>	<b>0</b>	<b>(475,414)</b>	<b>159</b>	<b>717,520</b>	<b>(654,095)</b>	<b>63,584</b>

**Notes:**

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period. Closing Balance figure 30/6/15 adusted to include amount of \$159 per Roads to Recovery revised Annual Report 2014/2015.
- (2) - New grants/contributions which were recognised 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 NORTHAMPTON**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		653,612	1,205,532
Restricted		1,347,456	1,771,607
Restricted - OCDF		<u>2,294,741</u>	<u>3,619,591</u>
		<u>4,295,809</u>	<u>6,596,730</u>

Funds relating to the overnight cash deposit facility (OCDF) are held with the West Australian Treasury Corporation (WATC) and require authorised sign off by the Department of Regional Development (DRD) and the Shire before funds can be released. The achievement of project milestones will trigger the Shire to seek approval from DRD for the transfer of funds from WATC.

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

Leave reserve	11	217,874	207,189
Roadworks Reserve	11	54,245	51,960
Kalbarri Airport Reserve	11	24,702	4,463
Computer and Office Reserve	11	32,087	30,384
Plant Reserve	11	6,980	6,628
House and Building Reserve	11	73,537	60,687
Kalbarri Aged Persons Accommodation Reserve	11	268,859	238,283
Northampton Aged Persons Reserve	11	164,044	154,934
Town Planning Scheme Reserve	11	13,096	13,096
Townscape Car Park Reserve	11	5,758	5,758
Sport and Recreation Reserve	11	0	6,225
Coastal Management Reserve	11	0	105,145
Specified Area Rate Reserve	11	15,000	460
Land Development Reserve	11	202,271	516,553
Kalbarri Tennis, Netball & Basketball Courts Reserve	11	169,078	162,853
Port Gregory Water Supply Reserve	11	36,500	0
Adjusted B/Fwd Figure R2R	2(c)	(159)	0
Unspent grants	2(c)	63,584	159
Unspent loans	21(c)	0	206,830
		<u>1,347,456</u>	<u>1,771,607</u>

**4. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding	229,706	238,674
Sundry debtors	124,784	87,046
Refuse Charge Debtors	46,487	44,427
Emergency Services Levy	63,798	58,640
Provision for Doubtful Debts	(6,528)	(6,528)
Accrued Income	2,013	2,013
	<u>460,260</u>	<u>424,272</u>

**Non-current**

Rates outstanding - pensioners	43,380	45,471
Loans receivable - clubs/institutions	16,990	23,174
Loans - CEO Self Supporting	360,770	375,236
	<u>421,140</u>	<u>443,881</u>

**5. INVENTORIES**

**Current**

Fuel and materials	10,555	10,087
Land held for resale - cost		
Development costs	233,182	245,455
	<u>243,737</u>	<u>255,542</u>

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

	2016 \$	2015 \$
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	6,286,000	6,286,000
- Additions after valuation - cost	<u>72,727</u>	<u>72,727</u>
	6,358,727	6,358,727
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	2,258,925	2,258,925
- Additions after valuation - cost	<u>137,325</u>	<u>0</u>
	2,396,250	2,258,925
	<u>8,754,977</u>	<u>8,617,652</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 3	1,747,731	1,170,000
- Additions after valuation - cost	241,174	0
Less: accumulated depreciation	<u>(104,193)</u>	<u>(28,481)</u>
	1,884,712	1,141,519
Buildings - specialised at:		
- Independent valuation 2014 - level 3	19,031,853	19,609,584
- Additions after valuation - cost	1,980,964	921,613
Less: accumulated depreciation	<u>(962,512)</u>	<u>(463,203)</u>
	20,050,305	20,067,994
	<u>21,935,017</u>	<u>21,209,513</u>
<b>Total land and buildings</b>	<u>30,689,994</u>	<u>29,827,165</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	46,216	0
- Management valuation 2013 - level 3	0	138,626
Less accumulated depreciation	<u>0</u>	<u>(62,965)</u>
	46,216	75,661
Plant and equipment at:		
- Management valuation 2016 - level 2	1,879,300	0
- Management valuation 2016 - level 3	857,962	0
- Management valuation 2013 - level 3	0	3,477,367
Less accumulated depreciation	<u>0</u>	<u>(655,787)</u>
	2,737,262	2,821,580
	<u>33,473,472</u>	<u>32,724,406</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 NORTHAMPTON  
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	6,358,727	0	0	0	0	0	0	0	6,358,727
Land - vested in and under the control of Council	2,258,925	137,325	0	0	0	0	0	0	2,396,250
<b>Total land</b>	<b>8,617,652</b>	<b>137,325</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,754,977</b>
Buildings - non-specialised	1,141,519	241,174	0	0	0	0	(75,712)	577,731	1,884,712
Buildings - specialised	20,067,994	1,059,351	0	0	0	0	(499,309)	(577,731)	20,050,305
<b>Total buildings</b>	<b>21,209,513</b>	<b>1,300,525</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(575,021)</b>	<b>0</b>	<b>21,935,017</b>
<b>Total land and buildings</b>	<b>29,827,165</b>	<b>1,437,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(575,021)</b>	<b>0</b>	<b>30,689,994</b>
Furniture and equipment	75,661	0	0	0	(6,038)	0	(23,407)	0	46,216
Plant and equipment	2,821,580	687,101	(245,632)	0	(168,741)	0	(357,046)	0	2,737,262
<b>Total property, plant and equipment</b>	<b>32,724,406</b>	<b>2,124,951</b>	<b>(245,632)</b>	<b>0</b>	<b>(174,779)</b>	<b>0</b>	<b>(955,474)</b>	<b>0</b>	<b>33,473,472</b>

**SHIRE OF NORTHAMPTON  
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
<b>Land and buildings</b>						
	Land - freehold	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per hectare/ market borrowing rate
	Land - vested in and under the control of Council	3	Improvements to land using cost approach using depreciated replacement cost	Management Valuation	June 2014	Improvements to land using construction costs and current condition (Level 2 ), residual values and remaining useful life assessments (Level 3) inputs
	Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Replacement cost, residual value, short life/long life split, pattern of consumption and consumption score.
	Buildings - specialised	3	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Replacement cost, residual value, short life/long life split, pattern of consumption and consumption score.
	<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining useful life
<b>Plant and equipment</b>						
	- Management valuation 2016	2	Market approach using recent observable market data	Management Valuation	June 2016	Price per item
	- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Residual values and remaining useful life

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

	2016	2015
	\$	\$
<b>7 (a). INFRASTRUCTURE</b>		
Infrastructure - roads		
- Management valuation 2015 - level 3	185,996,452	185,996,452
- Additions after valuation - cost	1,886,627	0
Less accumulated depreciation	<u>(48,960,323)</u>	<u>(46,632,939)</u>
	138,922,756	139,363,513
Infrastructure - footpaths		
- Management valuation 2015 - level 3	2,206,592	2,206,592
- Additions after valuation - cost	68,476	0
Less accumulated depreciation	<u>(847,099)</u>	<u>(824,501)</u>
	1,427,969	1,382,091
Infrastructure - drainage		
- Management valuation 2015 - level 3	5,430,409	5,430,409
- Additions after valuation - cost	4,400	0
Less accumulated depreciation	<u>(1,854,764)</u>	<u>(1,691,588)</u>
	3,580,045	3,738,821
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	3,711,439	3,711,439
- Additions after valuation - cost	178,512	0
Less accumulated depreciation	<u>(612,061)</u>	<u>(510,413)</u>
	3,277,890	3,201,026
Airports		
- Management valuation 2015 - level 3	3,115,544	3,115,544
Less accumulated depreciation	<u>(244,413)</u>	<u>(195,105)</u>
	2,871,131	2,920,439
	<u>150,079,791</u>	<u>150,605,890</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 NORTHAMPTON  
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 (Loss)/ Reversal Transferred to	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	139,363,513	1,886,627	0	0	0	0	(2,327,384)	0	138,922,756
Infrastructure - footpaths	1,382,091	68,476	0	0	0	0	(22,598)	0	1,427,969
Infrastructure - drainage	3,738,821	4,400	0	0	0	0	(163,176)	0	3,580,045
Infrastructure - parks and ovals	3,201,026	178,512	0	0	0	0	(101,648)	0	3,277,890
Airports	2,920,439	0	0	0	0	0	(49,308)	0	2,871,131
<b>Total infrastructure</b>	<b>150,605,890</b>	<b>2,138,015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,664,114)</b>	<b>0</b>	<b>150,079,791</b>



**SHIRE OF NORTHAMPTON  
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	All assets inspected with inventory and condition survey results applied to industry replacement costs unit rates.	Independent consultants - Talis	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	All assets inspected with inventory and condition survey results applied to industry replacement costs unit rates.	Independent consultants - Talis	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - drainage	3	All assets inspected with inventory and condition survey results applied to industry replacement costs unit rates.	Independent consultants - Talis	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	3	Recurring and non-recurring fair value measurements based on physical inspection of assets capturing asset age, type and condition.	Independent consultants - APV	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Airports	3	Recurring and non-recurring fair value measurements based on physical inspection of assets capturing asset age, type and condition.	Independent consultants - APV	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 NORTHAMPTON  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	323,695	191,725
Accrued interest on debentures	8,085	9,538
Accrued salaries and wages	707	85,051
Accrued Expenditure	28,856	145,949
Debtors - Loan Repayment Credit	0	8,758
Revenue Received in Advance	16,631	14,372
Revenue Received in Advance OCDF	2,294,740	3,619,591
	<u>2,672,714</u>	<u>4,074,984</u>

**9. LONG-TERM BORROWINGS**

**Current**

Secured by floating charge		
Debentures	177,776	168,585
	<u>177,776</u>	<u>168,585</u>

**Non-current**

Secured by floating charge		
Debentures	1,017,802	1,195,578
	<u>1,017,802</u>	<u>1,195,578</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2015</b>			
Current provisions	277,362	315,761	593,123
Non-current provisions	0	91,701	91,701
	<u>277,362</u>	<u>407,462</u>	<u>684,824</u>
Additional provision	(14,322)	37,841	23,519
<b>Balance at 30 June 2016</b>	<u>263,040</u>	<u>445,303</u>	<u>708,343</u>
<b>Comprises</b>			
Current	263,040	406,817	669,857
Non-current	0	38,486	38,486
	<u>263,040</u>	<u>445,303</u>	<u>708,343</u>

SHIRE OF NORTHAMPTON  
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
Leave reserve	207,189	10,685		217,874	207,189	10,000	0	217,189	153,424	53,765	0	207,189
Roadworks Reserve	51,960	2,285		54,245	51,960	2,000	0	53,960	49,920	2,040	0	51,960
Kalbarri Airport Reserve	4,463	20,239		24,702	4,464	20,200	0	24,664	4,314	149	0	4,463
Computer and Office Reserve	30,384	1,703		32,087	30,384	1,500	0	31,884	29,019	1,365	0	30,384
Plant Reserve	6,628	352		6,980	6,628	300	0	6,928	6,358	270	0	6,628
House and Building Reserve	60,687	12,850		73,537	60,687	12,500	0	73,187	58,157	2,530	0	60,687
Kalbarri Aged Persons Accommodation Reserve	238,283	30,576		268,859	238,283	28,960	0	267,243	215,038	23,245	0	238,283
Northampton Aged Persons Reserve	154,934	9,110		164,044	154,934	8,000	0	162,934	113,894	41,040	0	154,934
Town Planning Scheme Reserve	13,096			13,096	13,096	0	0	13,096	12,691	405	0	13,096
Townscape Car Park Reserve	5,758			5,758	5,758	0	0	5,758	5,758	0	0	5,758
Sport and Recreation Reserve	6,225		(6,225)	0	6,225	0	(6,225)	0	5,955	270	0	6,225
Coastal Management Reserve	105,145		(105,145)	0	105,145	0	(105,145)	0	101,270	3,875	0	105,145
Specified Area Rate Reserve	460	15,000	(460)	15,000	460	0	(460)	0	3,059	481	(3,080)	460
Land Development Reserve	516,553	202,271	(516,553)	202,271	516,553	0	(516,553)	0	505,289	11,264	0	516,553
Kalbarri Tennis, Netball & Basketball Courts Reserve	162,853	6,225		169,078	162,853	6,225	0	169,078	0	162,853	0	162,853
Port Gregory Water Supply Reserve	0	36,500		36,500	0	0	0	0	0	0	0	0
Public Amenities	0			0	0	0	0	0	0	0	0	0
	1,564,618	347,796	(628,383)	1,284,031	1,564,619	89,885	(628,383)	1,025,921	1,264,146	303,552	(3,080)	1,564,618

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

**11. RESERVES - CASH BACKED**

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave reserve		To be used to fund annual and long service leave requirements
Roadworks Reserve		To be used to fund major reseals of bitumen roads and other major road construction works including footpath construction
Kalbarri Airport Reserve		To be used for the maintenance and construction of the Kalbarri Airport
Computer and Office Reserve		To be used to for the purchase and upgrade of office equipment and computers
Plant Reserve		To be used for the purchase of major plant
House and Building Reserve		To be used for the construction of new housing and upgrades to buildings under Council control
Kalbarri Aged Persons Accommodation Reserve		To be used for the construction of live in aged care facilities in Kalbarri
Northampton Aged Persons Reserve	2016/2017	To be used for the construction of live in aged care facilities in Northampton
Town Planning Scheme Reserve		To be used for the review of Council's town planning schemes
Townscape Car Park Reserve		To be used for the construction of the carpark area in the CBD adjacent to Porter Street, this is a Kalbarri Townscape project
Sport and Recreation Reserve		To be used for the upgrade and capital works to Sporting and Recreation Facilities within the district
Coastal Management Reserve		To be used for the construction of capital works along the foreshore management reserve's within the district
Specified Area Rate Reserve		To be used for unspent Specified Area Rate monies allocated and not expended during the financial year
Land Development Reserve		To be used for the development of Council land for sale on the open market.
Kalbarri Tennis, Netball & Basketball Courts Reserve	2016/2017	To be used for the development of Tennis, Netball and Basketball facilities in Kalbarri.
Port Gregory Water Supply Reserve		To be used for the replacement of the Port Gregory pipeline.
Public Amenities		To be used for the development of public amenities.



**SHIRE OF NORTHAMPTON**  
**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 Budget \$	2015 \$
Cash and cash equivalents	<u>4,295,809</u>	<u>1,025,921</u>	<u>6,596,730</u>
<b>(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(529,176)	1,092,691	1,087,762
Non-cash flows in Net result:			
Depreciation	3,619,588	1,888,665	1,923,596
(Profit)/Loss on sale of asset	56,042	58,000	66,121
Loss on revaluation of fixed assets	174,779		
(Increase)/Decrease in receivables	(33,897)	53,479	159,834
(Increase)/Decrease in inventories	(468)	870	1,041
(Increase)/Decrease in Land Held for Resale	12,273	0	0
Increase/(Decrease) in payables	(1,402,270)	63,285	3,473,364
Increase/(Decrease) in provisions	23,519		81,189
Grants contributions for the development of assets	<u>(2,441,920)</u>	<u>(2,531,210)</u>	<u>(924,414)</u>
Net cash from operating activities	<u>(521,530)</u>	<u>625,780</u>	<u>5,868,493</u>
<b>(c) Undrawn Borrowing Facilities</b>			
	2016 \$		2015 \$
<b>Credit Standby Arrangements</b>			
Credit card limit	10,000		10,000
Credit card balance at balance date	<u>(3,371)</u>		<u>(4,363)</u>
<b>Total amount of credit unused</b>	<u>6,629</u>		<u>5,637</u>
<b>Loan facilities</b>			
Loan facilities - current	177,776		168,585
Loan facilities - non-current	<u>1,017,802</u>		<u>1,195,578</u>
<b>Total facilities in use at balance date</b>	<u>1,195,578</u>		<u>1,364,163</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>		<u>NIL</u>

**SHIRE OF NORTHAMPTON  
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.

	2016	2015
	\$	\$
<b>15. CAPITAL AND LEASING COMMITMENTS</b>		

**(a) Operating Lease Commitments**

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

**(b) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects	315,935	180,014
- plant & equipment purchases	0	0

The capital expenditure committed to at the end of the current reporting period represents the following capital projects:

Lucky Bay Camp Ground construction of camping nodes and facilities - \$165,825,  
Road Construction - Binnu East Re-seal \$110,000, Binnu West construction and seal \$40,110

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

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

**16. JOINT VENTURE ARRANGEMENTS**

The Shire together with the Ministry of Housing have a joint venture arrangement with regard to the provision of aged care units in Kalbarri. The assets involved are currently:

- Four two bedroom units constructed in 1998, Council's equity in these units \$40,000.
- Council contributed \$50,000 in 2001/2002 towards the construction of a further four two bedroom units which have been constructed on the same site as the initial four units.
- Council in 2006/2007 contributed \$54,545 towards the construction of an additional three two bedroom units bringing Council's inventory to eleven units of which Council has equity of 11.3%.

	2016	2015
	\$	\$
<b>Non-current assets</b>		
Land and buildings	195,460	195,460
Less: accumulated depreciation	<u>(8,482)</u>	<u>(3,909)</u>
	<u>186,978</u>	<u>191,551</u>

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

	2016	2015
	\$	\$
Governance	936,813	939,107
General purpose funding	348,263	284,145
Law, order, public safety	975,455	978,512
Health	918,561	933,323
Education and welfare	465,096	486,250
Housing	2,537,074	2,348,289
Community amenities	1,001,518	1,017,639
Recreation and culture	21,578,821	20,945,443
Transport	150,107,016	150,795,867
Economic services	1,481,272	78,912
Other property and services	597,011	620,691
Unallocated	<u>8,027,309</u>	<u>11,622,543</u>
	<u>188,974,209</u>	<u>191,050,721</u>



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

	2016	2015	2014
<b>18. FINANCIAL RATIOS</b>			
Current ratio	1.35	1.19	1.42
Asset sustainability ratio	1.06	0.98	2.17
Debt service cover ratio	2.92	10.55	2.64
Operating surplus ratio	(0.56)	0.03	(0.20)
Own source revenue coverage ratio	0.54	0.63	0.67

The above ratios are calculated as follows:

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

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$767,320.

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

	2016	2015
Current ratio		1.02
Debt service cover ratio	5.99	6.80
Operating surplus ratio	(0.42)	(0.12)

**SHIRE OF NORTHAMPTON**  
**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 \$
Town Planning - Security Bonds	5,000			5,000
Transportable Housing Bonds	10,755	520		11,275
Footpath Deposits	59,820		(11,264)	48,556
Horrocks Retention Fee - Parking/Stage 2	1,818			1,818
Retentions - Subdivisions	85,592		(17,618)	67,974
Building Levies (BCITF & BRB)	16,390		(16,207)	183
Community Bus Bond	5,000	1,800	(800)	6,000
Unclaimed Monies	4,178	434	(274)	4,338
Aged Unit Bond	1,806		(1,806)	0
Council Housing Bonds	1,460	760	(1,700)	520
RSL Hall Key Bond	1,090		(220)	870
Special Series Plates	460	310	(770)	0
Kidsport	14,946		(12,590)	2,356
NCCA	50,539	12,228		62,767
Horrocks Memorial Wall	3,209	500	(341)	3,368
One Life	3,963		(150)	3,813
Kalbarri Camp School	0	25,152		25,152
	<u>266,026</u>			<u>243,990</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 \$
<b>Plant and Equipment</b>								
Governance								
Toyota Prado - CEO	28,272	33,636	5,364	0	28,000	40,000	12,000	0
Transport								
Cat 12H Grader	137,268	85,000	0	(52,268)	134,000	80,000		(54,000)
4 Wheel Light Tip Truck	0	0	0	0	30,000	15,000		(15,000)
4 Wheel Dual Cab Light Tip Truck	15,734	10,500	0	(5,234)	16,000	15,000		(1,000)
Utility - Maint Grader 2wd single cab	0	0	0	0	7,500	8,000	500	
Utility - Mechanic 4wd	13,976	7,727	0	(6,249)	14,000	10,000		(4,000)
Utility - Construction 4wd dual cab	15,194	12,727	0	(2,467)	16,000	12,000		(4,000)
Utility - Ranger Extra Cab 4wd	6,916	5,455	0	(1,461)	7,500	4,000		(3,500)
Economic Services								
Toyota Prado - EHO/Building Surveyor	28,272	34,545	6,273	0	29,000	40,000	11,000	
	<u>245,632</u>	<u>189,590</u>	<u>11,637</u>	<u>(67,679)</u>	<u>282,000</u>	<u>224,000</u>	<u>23,500</u>	<u>(81,500)</u>

**SHIRE OF NORTHAMPTON  
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 \$
<b>Housing</b>								
154 - Staff Housing	350,000		30,116	30,116	319,884	319,884	14,378	13,440
<b>Recreation and culture</b>								
148 - Kalbarri Library Extensions	100,735		23,676	23,676	77,059	77,059	5,494	4,475
<b>Transport</b>								
149 - Plant Purchases	190,717		59,095	59,096	131,622	131,621	14,828	14,123
153 - Plant Purchases	323,900		35,077	35,077	288,823	288,823	19,954	14,691
	965,352	0	147,964	147,965	817,388	817,387	54,654	46,729
<b>Self Supporting Loans</b>								
<b>Recreation and culture</b>								
147 - Kalbarri Bowling Club	6,432		3,115	3,115	3,317	3,317	494	403
151 - Kalbarri Bowling Club	17,137		3,040	3,040	14,097	14,097	1,153	1,084
<b>Other property and services</b>								
152 - Staff Housing	375,242		14,466	14,466	360,776	360,776	25,087	25,087
	398,811	0	20,621	20,621	378,190	378,190	26,734	26,574
	1,364,163	0	168,585	168,586	1,195,578	1,195,577	81,388	73,303

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

**SHIRE OF NORTHAMPTON  
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

Particulars	Date	Balance	Borrowed	Expended	Balance
	Borrowed	1 July 15	During	During	30 June 16
		\$	Year	Year	\$
Loan 154 - Staff Housing	Jun 2015	206,830	0	(206,830)	0
		206,830	0	(206,830)	0

(d) Overdraft

The Shire did not utilise overdraft facilities during the year ended 30 June 2016.

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

22. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
General GRV	0.073928	1,566	19,660,499	1,468,215	2,321	(375)	1,470,161	1,468,213			1,468,213
Unimproved value valuations											
General UV	0.010796	457	196,322,235	2,116,700	1,500	5,379	2,123,579	2,116,701			2,116,701
Sub-Total		2,023	215,982,734	3,584,915	3,821	5,004	3,593,740	3,584,914	0	0	3,584,914
Minimum payment											
General GRV	495.00	987	5,182,366	488,565			488,565	483,120			483,120
General UV	495.00	47	2,180,211	23,265			23,265	28,710			28,710
Sub-Total		1,034	7,362,577	511,830	0	0	511,830	511,830	0	0	511,830
Discounts/concessions (refer note 26)											
Total amount raised from general rate		<b>3,057</b>	<b>223,345,311</b>	<b>4,096,745</b>	<b>3,821</b>	<b>5,004</b>	<b>4,105,570</b>	<b>4,096,744</b>	<b>0</b>	<b>0</b>	<b>4,096,744</b>
Specified Area Rate (refer note 24)							(164,166)				(135,000)
Totals							<b>3,941,404</b>				<b>3,961,744</b>
							43,365				43,300
							<u>3,984,769</u>				<u>4,005,044</u>

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

**23. NET CURRENT ASSETS**

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	<u>809,879</u>	<u>1,391,487</u>	<u>1,391,487</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	653,612	1,205,532	1,205,532
Restricted - OCDF	3,642,197	5,391,198	5,391,198
Receivables			
Rates outstanding	229,706	238,674	238,674
Sundry debtors	124,784	87,046	87,046
Refuse Charge Debtors	46,487	44,427	44,427
Emergency Services Levy	63,798	58,640	58,640
Provision for Doubtful Debts	(6,528)	(6,528)	(6,528)
Accrued Income	2,013	2,013	2,013
Inventories			
Fuel and materials	10,555	10,087	10,087
Land held for resale - cost			
Development costs	233,182	245,455	245,455
Debtors - Loan Repayment Credit	0	(8,758)	(8,758)
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(323,695)	(191,725)	(191,725)
Accrued interest on debentures	(8,085)	(9,538)	(9,538)
Accrued salaries and wages	(707)	(85,051)	(85,051)
Accrued Expenditure	(28,856)	(145,949)	(145,949)
Revenue Received in Advance	(16,631)	(14,372)	(14,372)
Revenue Received in Advance OCDF	(2,294,740)	(3,619,591)	(3,619,591)
Current portion of long term borrowings			
Secured by floating charge	(177,776)	(168,585)	(168,585)
Provisions			
Provision for annual leave	(263,040)	(277,362)	(277,362)
Provision for long service leave	(406,817)	(315,761)	(315,761)
<b>Unadjusted net current assets</b>	<u>1,479,459</u>	<u>2,439,852</u>	<u>2,439,852</u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(1,284,031)	(1,564,618)	(1,564,618)
Less: Land held for resale - cost			
Development costs	(233,182)	(245,455)	(245,455)
Add: Current portion of long term borrowings	177,776	168,585	168,585
Secured by floating charge			
Add: Component of leave liability not required to be funded	669,857	593,123	593,123
<b>Adjusted net current assets - surplus/(deficit)</b>	<u>809,879</u>	<u>1,391,487</u>	<u>1,391,487</u>

**Difference**

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

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

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

Specified Area Rate	Basis of Valuation	Rate in \$	Rateable Value \$	Rate Revenue \$	Interim Rate Revenue \$	Back Rate Revenue \$	Total Specified Area Rate Revenue	Budget Rate Revenue \$	Budget Back Rate Revenue \$	Budget Interim Rate Revenue \$
Port Gregory Water Supply	GRV	0.02613	508,992	13,300			13,300	13,300		
Kalbarri Tourism Rate	GRV	0.00180	16,614,680	30,065			30,065	30,000		
			43,365	43,365	0	0	43,365	43,300	0	0

**Specified Area Rate**

**Port Gregory Water Supply**

**Purpose of the rate** Area/properties Rate Imposed  
The specified area rate for the Port Gregory Water Supply is levied on all rateable Port Gregory Gross Rental Value designated properties for the operation of the Port Gregory water supply. The amount required has been estimated as the cost to operated the water supply for 2015/2016.

**Kalbarri Tourism Rate**

The specified area rate for Kalbarri Tourism is levied on all rateable Kalbarri Gross Rental Value designated properties in accordance with the Kalbarri Town Planning Scheme No. 9

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 \$
Port Gregory Water Supply		13,300	0	0	13,300	0	0
Kalbarri Tourism Rate		30,065	0	0	30,065	0	0
		43,365	0	0	43,365	0	0

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

The Shire did not impose any service charges.

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

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

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General/Minimum Rates	5.00%	142,545	135,000	A discount on rates is granted upon full payment of rates within 35 days of the date of service on the rates notice.
		<u>142,545</u>	<u>135,000</u>	

Waivers or Concessions A discount

Rate or Fee and Charge to which the Waiver or Concession is Granted	Discount % or \$	Actual \$	Budget \$
Rates assessment		21,621	0
		<u>21,621</u>	<u>0</u>



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

**27. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>	
<b>Instalment Options</b>					
<b>Option One</b>	02-Oct-15				
Single full payment					
<b>Option Two</b>					
First Instalment	02-Oct-15	5		10.00%	
Second Instalment	05-Feb-16	5	5.00%	10.00%	
<b>Option Three</b>					
First Instalment	02-Oct-15	5		10.00%	
Second Instalment	04-Dec-15	5	5.00%	10.00%	
Third Instalment	05-Feb-16	5	5.00%	10.00%	
Fourth Instalment	08-Apr-16	5	5.00%	10.00%	
					<b>Budgeted Revenue</b>
Interest on unpaid rates					\$ 30,263
Interest on instalment plan					16,169
Pensioner Deferred Interest					1,296
					<u>47,728</u>
					<u>42,200</u>

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

<b>28. FEES &amp; CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	12,941	10,942
Law, order, public safety	23,874	19,271
Health	11,450	840
Education and welfare	113,927	106,178
Housing	16,272	13,347
Community amenities	860,345	792,941
Recreation and culture	12,329	15,598
Transport	2,873	3,634
Economic services	88,259	77,030
Other property and services	18,485	19,860
	<u>1,160,755</u>	<u>1,059,641</u>

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

**29. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	50,716	76,073
General purpose funding	756,582	2,292,792
Law, order, public safety	119,001	109,099
Health	27,286	43,699
Education and welfare	110,097	89,541
Housing	7,405	4,131
Community amenities	166,910	26,698
Recreation and culture	81,193	110,758
Transport	162,082	130,928
Economic services	37,792	15,531
Other property and services	108,138	181,178
	<u>1,627,202</u>	<u>3,080,428</u>
<b>Non-operating grants, subsidies and contributions</b>		
Governance	6,273	4,000
Education and welfare	13,080	11,400
Community amenities	888,411	0
Recreation and culture	25,230	24,185
Transport	1,390,835	884,829
Economic services	118,091	0
	<u>2,441,920</u>	<u>924,414</u>
	<u>4,069,122</u>	<u>4,004,842</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>35</u>	<u>36</u>
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**SHIRE OF NORTHAMPTON**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>31. ELECTED MEMBERS REMUNERATION</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	18,755	17,790	15,940
President's allowance	10,000	10,000	10,000
Deputy President's allowance	1,000	1,000	1,000
Travelling expenses	20,615	24,500	21,837
Telecommunications allowance	4,500	4,500	4,500
	<u>54,870</u>	<u>57,790</u>	<u>53,277</u>

**32. MAJOR LAND TRANSACTIONS**

Northampton Light Industrial Subdivision

(a) Details

Land owned freehold by Council, has been subdivided on the northern side of Lot 74 Seventh Avenue, Northampton. The construction of 4 industrial units was completed during 2014/2015. The future sale of this land is subject to compliance with grant funding conditions which stipulate that Council is unable to sell for a period of 5 years from the date of completion. All units are currently being leased for a period of 5 years with the first year provided rent free.

<b>(b) Current year transactions</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operating income</b>			
- Profit on sale	0	0	0
<b>Capital income</b>			
- Sale proceeds	0	0	0
<b>Capital expenditure</b>			
- Purchase of land	0	0	0
- Development costs			502,609
	<u>0</u>	<u>0</u>	<u>502,609</u>

(c) Expected Future Cash Flows

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash outflows</b>					
- Development costs					0
- Loan repayments					0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash inflows</b>					
- Loan proceeds					0
- Lease Fees	27,040	27,850	28,685	29,500	113,075
	<u>27,040</u>	<u>27,850</u>	<u>28,685</u>	<u>29,500</u>	<u>113,075</u>
<b>Net cash flows</b>	<u>27,040</u>	<u>27,850</u>	<u>28,685</u>	<u>29,500</u>	<u>113,075</u>

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

**34. 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
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	4,295,809	6,596,730	4,295,809	6,596,730
Receivables	881,400	868,153	881,400	868,153
	<u>5,177,209</u>	<u>7,464,883</u>	<u>5,177,209</u>	<u>7,464,883</u>
<b>Financial liabilities</b>				
Payables	2,672,714	4,074,984	2,672,714	4,074,984
Borrowings	1,195,578	1,364,163	1,242,575	1,404,151
	<u>3,868,292</u>	<u>5,439,147</u>	<u>3,915,289</u>	<u>5,479,135</u>

Fair value is determined as follows:

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

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

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

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit and loss**

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	42,958	65,967
- Statement of Comprehensive Income	42,958	65,967

**Notes:**

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

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

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

**(b) Receivables**

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

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	58%	96%
- Overdue	42%	4%

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

34. 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:

	<u>2016</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	2,672,714	0	0	2,672,714	2,672,714	2,672,714
Borrowings	240,694	790,982	522,464	1,554,140	1,195,578	1,195,578
	<u>2,913,408</u>	<u>790,982</u>	<u>522,464</u>	<u>4,226,854</u>	<u>3,868,292</u>	<u>3,868,292</u>
Payables	4,074,984	0	0	4,074,984	4,074,984	4,074,984
Borrowings	241,889	771,915	745,488	1,759,292	1,364,163	1,364,163
	<u>4,316,873</u>	<u>771,915</u>	<u>745,488</u>	<u>5,834,276</u>	<u>5,439,147</u>	<u>5,439,147</u>

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

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

**(c) Payables  
 Borrowings (continued)**

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

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

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

**Borrowings**

<b>Fixed rate</b>								
Debtentures	3,317	131,621	77,059	14,097	288,823	680,661	1,195,578	4.58%
Weighted average Effective interest rate	6.40%	7.26%	4.09%	5.92%	4.02%	4.31%		

**Year ended 30 June 2015**

**Borrowings**

<b>Fixed rate</b>								
Debtentures	0	6,432	190,717	100,736	17,138	1,049,140	1,364,163	4.66%
Weighted average Effective interest rate	0.00%	6.40%	7.26%	4.09%	5.92%	4.21%		



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## **INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF NORTHAMPTON**

### **REPORT ON THE FINANCIAL REPORT**

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

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial report of the Shire of Northampton 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 NORTHAMPTON (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 60 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

MOORE STEPHENS  
CHARTERED ACCOUNTANTS



GREG GODWIN  
PARTNER

Date: 30 November 2016  
Perth, WA

**SHIRE OF NORTHAMPTON  
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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset consumption ratio	0.69	0.75	0.73
Asset renewal funding ratio	1.00	1.00	0.74

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