



# SHIRE OF YORK

**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
HELD ON 12 JANUARY 2017  
COMMENCING AT 2.04PM  
IN COUNCIL CHAMBERS,  
YORK TOWN HALL, YORK**





## Table of Contents

<b>1. OPENING .....</b>	<b>5</b>
1.1 Declaration of Opening .....	5
1.2 Disclaimer.....	5
1.3 Standing Orders .....	5
1.4 Announcement of Visitors.....	5
1.5 Declarations of Interest that Might Cause a Conflict.....	5
1.6 Declarations of Financial Interest.....	5
1.7 Declarations of Interest that May Affect Impartiality .....	5
<b>2. ATTENDANCE .....</b>	<b>6</b>
2.1 Members .....	6
2.2 Staff.....	6
2.3 Auditors .....	6
2.4 Apologies.....	6
<b>3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING .....</b>	<b>6</b>
<b>4. ANNOUNCEMENT BY THE PRESIDING MEMBER WITHOUT DISCUSSION.....</b>	<b>6</b>
<b>5. PRESENTATIONS .....</b>	<b>6</b>
<b>6. OFFICER REPORT .....</b>	<b>6</b>
<b>7. QUESTIONS FROM MEMBERS WITHOUT NOTICE.....</b>	<b>15</b>
<b>8. NEXT MEETING .....</b>	<b>15</b>
<b>9. CLOSURE .....</b>	<b>15</b>







SHIRE OF YORK

MINUTES OF THE AUDIT COMMITTEE  
HELD ON 12 JANUARY 2017  
COMMENCING AT 2.04PM  
IN COUNCIL CHAMBERS, YORK TOWN HALL, YORK

**1. OPENING**

1.1 Declaration of Opening

*Cr David Wallace, Shire President, declared the meeting open at 2.04pm and welcomed the Auditors to the meeting*

1.2 Disclaimer

The Shire President advised the following:

*"I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.*

*Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."*

1.3 Standing Orders

*Local Government (Council Meetings) Local Law 2016*

1.4 Announcement of Visitors

*Macri Partners*

1.5 Declarations of Interest that Might Cause a Conflict

*Nil*

1.6 Declarations of Financial Interest

*Nil*

1.7 Declarations of Interest that May Affect Impartiality

*Nil*

## 2. ATTENDANCE

### 2.1 Members

*Cr David Wallace, Shire President; Cr Pam Heaton; Cr Jane Ferro; Cr Tricia Walters*

### 2.2 Staff

*Paul Martin, Chief Executive Officer; Suzie Haslehurst, Executive Manager Corporate and Community Services; Paul Crewe, Executive Manager Infrastructure & Development Services; Tabitha Bateman, Financial Controller*

### 2.3 Auditors

*Anthony Macri and Mit Gudka, Macri Partners*

### 2.4 Apologies

*Cr Denese Smythe, Deputy Shire President; Cr Heather Saint*

## 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

### 3.1 Minutes of Audit Committee Meeting held 17 October 2016.

#### **Recommendation**

**Moved: Cr Walters**

**Seconded: Cr Ferro**

**That the minutes of the Audit Committee meeting held on 17 October 2016 be accepted as a true and correct record.**

**CARRIED: 4/0**

## 4. ANNOUNCEMENT BY THE PRESIDING MEMBER WITHOUT DISCUSSION

*Nil*

## 5. PRESENTATIONS

*The Shire President invited Mr Macri to speak*

### 5.1 Mr Macri provided comment on the following:

*Methodology of the Audit - risk based audit undertaken in accordance with Australian Auditing Standards. The process involved an interim visit to examine internal controls followed by the final audit process. Mr Macri noted that the audit opinion is unqualified.*

*Changes coming up to Accounting Standards - Related Party Disclosure did not previously apply to government and not for profit organisations. The changes mean that should a Councillor or Officer enter into a contract for products or services with the Council, full details will need to be declared in the accounts.*

*Rates Received in Advance – Macri Partners have been lobbying to have this standard changed to recognise income in advance in the correct budget year. Legally, ratepayers are able to claim back money paid in advance before the rate notice is issued. Therefore, this should be recognised as a liability. Mr Macri explained that the AASB concurs there is a fatal flaw in the standard as it exists and has agreed to issue an amendment. This is expected before the end of the 2016/17 financial year.*

## 6. OFFICER REPORT

## ***SY001-01/17(Audit) – Consideration of the Annual Financial Statements and Audit Report for the Year Ended 30 June 2016***

<b>FILE REFERENCE:</b>	FI.FRP.3; FI.FRP.4; FR.FRP.6
<b>APPLICANT OR PROPONENT(S):</b>	Shire of York
<b>AUTHORS NAME &amp; POSITION:</b>	Suzie Haslehurst - Executive Manager Corporate & Community Services
<b>RESPONSIBLE OFFICER:</b>	Suzie Haslehurst - Executive Manager Corporate & Community Services
<b>PREVIOUSLY BEFORE COUNCIL:</b>	No
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>APPENDICES:</b>	<ol style="list-style-type: none"><li>1. Interim Audit Management Letter</li><li>2. Audit Completion Report 2016</li><li>3. Fraud &amp; Error Assessment – Audit Committee Response</li><li>4. Annual Financial Report 2015-16</li></ol>

### **Nature of Council's Role in the Matter:**

- Executive
- Review

### **Purpose of the Report:**

This report presents documents relating to the finalisation and audit of the Shire's financial statements for the year ended 30 June 2016 for the Audit Committee's consideration and recommendation.

### **Background:**

In accordance with Section 5.4 of the *Local Government Act 1995* (the Act), the Shire is required to prepare an annual financial report by 30 September for the previous financial year for submission to its auditor. Section 7.2 of the Act requires that the accounts and annual financial report of the local government are audited by an auditor and Section 7.9 prescribes the conditions under which the audit is to be conducted. Part 4 of the *Local Government (Financial Management) Regulations 1996* prescribes what is to be included in the report.

On 23 March 2015, Council endorsed the Audit Committee's recommendation to "*invite Macri Partners to extend their contract for a further 12 month period*". Subsequently, Macri Partners has undertaken an interim audit and completed the annual audit for the financial year ended 30 June 2016.

### **Comments and details:**

The 2015/16 financial year will be remembered as a year of significant change for the organisation. This uncertainty is reflected in the organisation's finances and is explained below in some detail. Although the audit identifies some issues to work through which are being progressed, the findings confirm and reinforce the efforts and decisions that have been made in the past six months to improve how the Shire's finances are managed.

#### **Interim Audit Management Letter**

Macri Partners conducted an interim audit and submitted a draft management letter in October 2016. This outlined issues identified and made recommendations to management to address these matters. The process also included an opportunity for management to provide a response to each issue raised. The final letter from Macri Partners with Management responses was received by the Shire on 5 December 2016 and is attached to this report (Appendix 1) for the information of the Committee. This is significantly later than in previous years.



The interim audit raised a number of issues regarding the organisation's financial management processes. While some of the matters raised have already been addressed by staff (ie sign-off of bank reconciliations, improved purchasing procedures), it is acknowledged that the majority will be investigated as part of the package of works to be undertaken by Moore Stephens as resolved by Council. At the Ordinary Council Meeting held 24 October 2016, Council accepted the Audit Committee's recommendation to appoint Moore Stephens to;

- Review the Shire's Financial systems and procedures pursuant to Regulation 5 of the *Local Government (Financial Management) Regulations 1996*; and
- Review Risk Management, Internal Controls and Legislative Compliance pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

The findings in the interim audit confirm that the decision to undertake the above reviews at this time was correct and it is expected that the review processes will provide a baseline to improve financial management over the coming years. This work will commence in February 2017. Meanwhile, officers have developed internal procedures to implement the new policies adopted by Council in October 2016.

The auditors noted an instance where total purchases made with a single supplier were in excess of \$150,000 (Hendry Group Pty Ltd - \$166,298). Regulation 11 of the *Local Government (Functions and General) Regulations 1996* require that for contracts for supply of services in excess of \$150,000 must be put to public tender.

This issue arose due to the fact that the Building Surveyor vacancy could not be filled after a period of advertising. Hendry Group was initially contracted for a short time to meet service requirements during which time the Shire advertised the vacancy. The position was advertised on October 2014 and November 2015 and could not be filled. As a result, Hendry Group continued to provide contract building surveying services to ensure the Shire could continue to provide a level of service and encourage development in the community.

With the commencement of the new Executive Manager Development and Infrastructure Services, this issue is being investigated and options are being considered.

*Recommendation: That the Audit Committee recommends the Interim Audit Letter to Council for noting.*

#### Audit Completion Report to the Audit Committee for the Year Ended 30 June 2016

In accordance with Australian Auditing Standard ASA260, the auditor is required to communicate matters arising from the audit of the Shire's financial statements to those charged with governance of an entity ie Council.

The report (attached as Appendix 2) notes that the Independent Auditor's Report will be signed and issued following the finalisation of two matters which are addressed later in this report. Subject to these two matters being addressed, it should be noted that the Auditor will give an *unqualified* opinion that the financial report for the Shire of York;

- (a) Gives a true and fair view of the financial position of the Shire of York as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) Complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Macri Partners raised one issue remaining to be addressed by the Shire relating to Asset Management. The auditor recommends that Asset Management Plans for each asset class should be reviewed and updated and included in the Shire's Long Term Financial Plan.

The need for significant improvements to be made regarding how the Shire manages its assets was identified as a priority first in the major strategic review and again in the organisational review conducted by the Shire's new CEO. The resources to support this have been allocated by Council as part of the 2016/17 Financial Year Budget and the position of an Asset Management Officer has been approved for a three year period.

Recruitment for this position has taken place and the successful candidate is expected to commence mid-late January this year. It is proposed that the Long Term Financial Plan is reviewed as part of the Financial Management Review in consultation with the Asset Management Officer.

*Recommendation: That the Audit Committee notes the Audit Completion Report and recommends its acceptance by Council.*

#### Fraud and Error Assessment

For the first time, Macri Partners has asked its clients to complete a Fraud and Error Assessment which requires the Audit Committee to respond to a number of questions. The proposed response is attached at Appendix 3. The following matters raised during the year are noted in the responses;

- Allegations of misconduct referred to the Major Fraud Squad
- Adoption of Policy G3.2 *Fraud, Corruption and Misconduct Prevention*
- Public questions regarding 'the appointment of Commissioner Best in a dual role as the Shire of York Visionary Consultant'
- Implementation of new policies and delegations of authority

It should be noted that the CEO has referred the matter of the 'Engagement of Commissioner James Best to undertake the Visioning Process' to the Public Sector Commission for investigation in accordance with Statutory Obligations.

*Recommendation: That the Audit Committee notes the Fraud and Error Assessment – Audit Committee Response and requests the Shire President to sign the Response on behalf of the Audit Committee.*

#### Subsequent Events

In accordance with Auditing Standard ASA560 *Subsequent Events*, the auditor is required to identify any events occurring between the date of the financial report (ie 30 June 2016) and the date of the auditor's report that may impact on the financial report. No events have been identified.

#### Annual Financial Report 2015-16

The Annual Financial Report for the financial year ended 30 June 2016 is attached at Appendix 4 and includes comprehensive notes to the financial statements\*.

#### Financial Statements

The Shire will carry forward to the 2016/17 financial year a surplus of \$1,171,861, this is primarily due to significantly less than expected capital expenditure taking place during the financial year.

While the net operating result for the year is a deficit of \$827,256, this is offset in the financial statements primarily by a change of \$804,963 in revaluation of non-current assets as a result of the Fair Value Reassessment (\*see note 5.4). Taking this into account, the reported operating position is a surplus of \$40,970.

There are three matters that have impacted the Shire's financial results for the year;

*Financial Assistance Grants* – The Shire's Financial Assistance Grants payment of \$742,355 from the WA Local Government Grants Commission for 2015/16 was received on 30 June 2015 and therefore recognised in the 2014/15 financial year. Subsequently, the opening surplus increased by this amount but the reported grant revenue for this financial year is less than budgeted.

*Fair Value Reassessment* – As a result of the requirement to recognise all assets at fair value, an assessment of the fair value of the Shire's assets was undertaken and it was determined that the value of the Shire's assets had been underestimated prior to 2014/15. The significant increase in the value of Shire-owned buildings resulted in \$513,277 of depreciation being brought to account in the 2015/16 financial year.

This significant difference in how the Shire is valuing its assets again reinforces the need for substantial improvements in how the Shire manages its assets across all asset classes. With commencement of the Asset Management Officer, a full review of depreciation rates is proposed to be undertaken prior to 30 June 2017.

*Provision for Doubtful Debts* – The Shire is owed significant amount of debt that has been outstanding for in excess of ninety days. Most of this is attributable to a single debtor and while every effort is being made to recover the amounts owed, the auditors advised that an appropriate provision for doubtful debts should be made in this year's financial report as a risk mitigation strategy. Therefore, an amount of \$330,394 (\*see note 27) was recognised for this financial year.

The auditors have previously raised this matter and strongly advised that a provision for this debt be made as there is some doubt that the debt may be recovered and is likely to be required to be written off in the 2016/17 financial year.

#### Capital Expenditure

In 2015/16, \$5,242,821 was budgeted for capital expenditure. Actual expenditure was \$3,092,198.

Some of the capital projects not completed during the 2015/16 financial year due to changeover of staff and uncertainty have been carried forward into the 2016/17 financial year including but not limited to;

- Quellington Road upgrade
- Replacement of fleet vehicles
- Residency Museum extensions
- Swimming Pool upgrade
- Walk trails

In addition, some items budgeted were deferred or cancelled for a variety of reasons. For example, the 2015/16 budget included provision for the construction of two new staff houses which was to be offset by the sale of old housing stock. This did not occur and was not carried forward. A recommendation regarding this initiative will likely be part of the new Workforce Plan being undertaken. Upgrades to the Pioneer Memorial Lodge were also deferred pending lease renewal.

#### Ratio Analysis

In accordance with Regulation 50 of the *Local Government (Financial Management) Regulations 1996*, an analysis of the financial results by ratio is required to be provided (\*see note 26). The table below outlines the Shire's ratios for the past four years.



Statutory Ratios	Benchmark	2015/2016	2014/2015	2013/2014	2012/2013
Current Ratio	> 1.0	1.87	3.36	3.22	2.42
Debt Service Cover Ratio	> 2.0	1.76	8.69	2.87	5.66
Own Source Revenue Coverage Ratio	> 0.4	0.70	0.70	0.69	0.68
Operating Surplus Ratio	>0.00	(0.29)	(0.06)	(0.23)	(0.22)
Asset Consumption Ratio	> 0.5	0.85	0.86	0.74	0.79
Asset Sustainability Ratio	>0.9	0.50	0.43	0.53	0.49
Asset Renewal Funding Ratio	> 0.75	0.48	0.75	0.84	0.84

- *Current Ratio* – indicates the Shire’s capacity to meet short term financial obligations. While still above the benchmark, this ratio has decreased from 2014/15. However, it should be noted that 2014/15 ratio was distorted due to the early payment of the Financial Assistance Grants as outlined above.
- *Debt Service Cover Ratio* – indicates the capacity to meet loan repayments as and when they fall due. The Shire’s ratio is below the benchmark and has fluctuated over the past four years based on the operating surplus. Again the 2014/15 ratio was significantly distorted for the reasons outlined above.
- *Operating Surplus Ratio* – measures the Shire’s ability to cover operational costs and have revenue available for capital or other purposes. The basic standard for this ratio is between 0.01 and 0.15. The Shire has reported a negative result for the past four years. The primary reason this year is the increased depreciation on assets.
- *Own Source Revenue Ratio* – has remained constant over the past four years and indicates the capacity to generate income to meet operating costs from the Shire’s own sources.
- *Asset Consumption Ratio* – measures the extent to which depreciable assets have been consumed compared to their written down cost. The benchmark is met if the ratio is above 0.5 and is improving if between 0.6 and 0.75.
- *Asset Sustainability Ratio* – indicates whether the Shire is renewing or replacing assets at the same rate that assets are wearing out and compares renewal expenditure with depreciation. The Shire is below the standard of 0.9 and consideration will need to be given to renewal expenditure during the financial management review if this ratio is to improve.
- *Asset Renewal Funding Ratio* – measures the financial capacity of the Shire to fund asset renewal as required. This ratio is calculated using information contained in the Long Term Financial Plan *not* the Annual Financial Report. The minimum standard for this ratio is between 0.75 and 0.95. This will be reviewed as part of the Financial Management Review.

Council will review the organisation's long term financial plan as part of the 2017/18 financial year budget process and the ratios and long term sustainability will be a priority.

*Recommendation: That the Audit Committee recommends that Council accepts the Annual Financial Report 2015-16 and requests the CEO to include it in the 2015-16 Annual Report for presentation at an electors meeting.*

Next Steps

Once the Audit Committee recommends the Annual Financial Report 2015-16 for adoption by Council, the auditors will sign off on the Independent Audit Report which will be incorporated into the Draft Annual Report. This will be presented to Council at the February Council meeting with a proposed date for an Annual Electors meeting to be advertised.

**Implications to consider:**

- Consultative  
Macri Partners
  
- Policy related
  - Policy F1.3      *Significant Accounting Policies*
  - Policy G4.5      *Asset Management*
  - Policy G4.6      *Risk Assessment and Management*
  
- Legal and Statutory
  - Local Government Act 1995*
  - Section 6.4      *Financial Report*
  - Section 7.2      *Audit*
  - Section 7.9      *Audit to be Conducted*
  
  - Local Government (Audit) Regulations 1996*
  - Regulation 10    *Report by Auditor*
  
  - Local Government (Functions and General) Regulations 1996*
  - Regulation 11    *When Tenders Have to be Publicly Invited*
  
  - Local Government (Financial Management Regulations) 1996*
  - Part 4 – Financial Reports*
  - Regulations 34-51 (relating to information to be included in annual financial reports)
  
- Risk related
  - Compliance - The requirement to have the Shire's annual financial statements audited and lodged with the Department of Local Government and Communities is a legislative obligation. Failure to do so exposes Shire officers and Councillors to significant risk. This report and its appendices mitigate this risk.

**Voting Requirements:**

**Absolute Majority Required:      No**

**OFFICER RECOMMENDATION**

**Moved: Cr Ferro**

**Seconded: Cr Heaton**

***“That the Audit Committee***

**1. Notes;**

***(a) The Fraud and Error Assessment - Audit Committee Response for the Year Ended 30 June 2016 and requests the Shire President to sign the Response on behalf of the Audit Committee;***

***(b) The Audit Completion Report to the Audit Committee for the Year Ended 30 June 2016 and is satisfied that;***

***(i) there are no other matters that would impact the issues raised;***

***(ii) there are no other significant issues that ought to be considered before recommending the adoption of the financial statements; and***

***(iii) the Shire concurs with the resolution of the issues raised;***

**2. Recommends that Council:**

***1. Notes the Interim Audit Management Letter from Macri Partners as attached to this report.***

***2. Accepts the Audit Completion Report and Annual Financial Report for the year ended 30 June 2016.***

***3. Requests the CEO to finalise the annual report and present it to the February Council meeting along with a proposed date for the annual electors meeting.”***

**CARRIED: 4/0**





SHIRE OF YORK	
FILE	F.I. FRP. 4
DATE	INITIALS
PAUL M	
SUZIE	
TABITHA	
- 5 DEC 2016	
115 78 99	
REFERRED TO COUNCIL	
DATE	INITIALS

**SY001-01/17 (Audit)  
 APPENDIX 1**

Domenic Macri CPA  
 Connie De Felice CA

30 November 2016

The Chief Executive Officer  
 Shire of York  
 PO Box 22  
 YORK WA 6302

<b>COPY SENT TO:</b>
1. CR WALLACE
2.
3.

Dear Sir

**RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2016**

We carried out an interim audit visit of the Shire of York for the year ended 30 June 2016 and issued our draft interim audit management letter on 10 October 2016 for management review and comments.

Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- Bank Reconciliations
- Investment of Surplus Funds
- Purchases
- Payments and Creditors
- Rate Receipts and Rate Debtors
- Receipts and Sundry Debtors
- Payroll
- General Accounting (Journals, etc.)
- IT Controls
- Registers (Tenders Register, etc.)
- Asset Register
- Fixed Assets (Property, Plant & Equipment and Infrastructure)
- Review of Council Minutes

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.



Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the Shire of York. Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

It should be appreciated that the matters noted came to our attention during the course of our normal audit examination and as a result do not necessarily include all those matters which a more extensive or special examination might identify.

Accordingly, our comments in this management letter are not intended to cover all aspects of the Shire's internal controls and accounting systems and are limited to those matters that arose from our normal audit procedures.

The following matters were noted and are brought to your attention.

### **BANK RECONCILIATIONS**

During our review of the monthly bank reconciliations from July 2015 to May 2016 for the Municipal, Trust and Reserve Bank Accounts, we noted that whilst they showed that they were signed by the preparer and reviewer, the dates of preparation and review were not indicated. Hence, we were unable to ascertain if the bank reconciliations have been performed and reviewed on a timely basis.

We recommend that the bank reconciliations be dated by both the preparer and the reviewer to enhance the bank reconciliation process and provide evidence that they have been completed and reviewed in a timely manner.

#### **Management Comment:**

***Staff will ensure that dates are included in the review and sign off process for all areas in the future.***

### **INVESTMENT OF SURPLUS FUNDS**

We conducted a review of the investment of surplus funds by the Shire at the time of our interim audit visit.

An investment policy exists, which provides general guidelines as to the levels of risk and exposure for the various types of investments that can be placed. The Council manages its own investments and investments placed appear to be appropriately documented and authorised.

The following matters were noted and are brought to your attention:

Regulation 19(1) of the Local Government (Financial Management) Regulations 1996 stipulates that a local government is to establish and document internal control procedures to be followed by employees to ensure control over investments.



During the audit, we noted that whilst the Shire has documented internal control procedures, the document needs to be updated to properly reflect the current practice in place regarding investment of Council surplus funds i.e. recording of interest quotes from banks, confirmation and authorisation of deals, etc.

The Department of Local Government Guideline 19 for investments indicates that there should be proper procedures and controls in place for the placement and redemption of investments, the receipt of income and regular valuations of the investment portfolio. Well defined controls for the management of investments should include the separation of functions for approved authority, execution of transactions and reporting.

We recommend that the internal control procedural document be updated to support management's activities and formally endorsed by the Council. This will assist to:

- (a) ensure that adequate control exists over the investment of surplus funds by providing guidance to be followed by employees;
- (b) retain corporate knowledge and to facilitate staff training;
- (c) reflect the desired processes and procedures undertaken in the finance department; and
- (d) ensure that roles and responsibilities are clearly defined.

**Management Comment:**

***Management acknowledges the auditors concerns and is in the process of preparing internal control procedures to comply with FM Reg 19(1) to reduce risk. In addition to this, Council has recently engaged a firm to undertake the Reg 17 review with an aim of implementing new and improved financial procedures.***

## **PURCHASES AND PAYMENTS**

As part of our audit, we carried out a review of the purchasing and payments system. Our audit procedures have been designed to determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures. Professional judgement is used to assess the risk of material misstatement and to design and perform further audit procedures where necessary to reduce the risk to an acceptable low level. Our audit procedures have been designed to determine whether purchases of goods/services were in accordance with the Shire's Purchasing Policy.

Generally the controls surrounding purchases and payments are appropriate to meet the Council's requirements. However, the following matters were noted as requiring attention:

- (i) During our testing, we noted 2 instances (18 samples tested) where purchase orders were not raised. Further, our testing revealed one instance (18 samples tested) where purchase order was raised only after the goods and services have been supplied and invoices received.

As this increases the risk of unauthorised purchases being made, we request that purchase orders be raised when the goods and services are ordered and not after the goods and services have been received. This will ensure that goods and services have been obtained at the most competitive prices and ensure adherence to Shire's Purchasing Policy.

**Management Comment:**

***Agreed – there are occasions when a purchase order is raised after goods have been ordered. This is not good practice and management will endeavour to undertake further training for all staff to eliminate further instances.***





- (ii) We noted an instance whereby total purchases made with a supplier were in excess of \$150,000 and tenders had not been called for the supply of services.

Regulation 11 of the Local Government (Functions and General) Regulations 1996 requires that before a local government enters into a contract for supply of goods or services, if the consideration is expected to be more than \$150,000, it must be put to public tender. Our review indicated the following instance whereby the total purchase was in excess of \$150,000 and no tender had not been called for the supply of services:

- Hendry Group Pty Ltd (\$166,298) – supply of building surveying services

In these instances, the Council could be in breach of the Tender regulations. We request management investigate whether there are any other instances of similar nature where tenders were not called by the Council.

We would appreciate your comments and feedback on the matter in due course.

**Management Comment:**

***This issue arose due to the fact the Building Surveyor vacancy could not be filled. Hendry Group were initially contracted for a short time to meet service requirements during which time the Shire advertised for a replacement Building Surveyor.***

***This position was advertised in October 2014 – no submissions were received – and then again in November 2015. Three submissions were received however no suitable candidate could be determined. The adopted budget also includes an allocation to employ a Building Surveyor in 2016/17.***

**RATES**

The Shire's rating procedures were reviewed to ensure that they were in compliance with legislative requirements and that rates were being imposed correctly. This also included a review of the rates notice, the process of reconciliation of the Valuer General's report to the rates ledger, and checking a limited number of postings to the rate and general ledgers to ensure allocation/posting was reasonable and correctly performed.

The following matter was noted and brought to your attention:

During our review of rate notices, we noted that the 4<sup>th</sup> instalment date was incorrectly stated in the rate notices as 23 May 2016. The Council approved date for the 4<sup>th</sup> instalment was stipulated as 23 February 2016 in the Special Council Meeting minutes dated 25 June 2015 for adoption of the Shire's 2015/16 annual budget.

As a consequence of this error, there may have been delays in collection of rates with respect to the 4<sup>th</sup> instalment where rate payers opted for instalment payments. We will be pleased to receive feedback on this matter.

**Management Comment:**

***Fortunately, the actual impact on rates collection was minimal. A number of small requests for the write off of accrued interest has been presented to Council resulting to date, in the write off of \$229 relating specifically to this error. The mistake was advertised on Council's website and in the local paper and subsequent reminders were sent on the Council-adopted dates.***





## RECEIPTING

As part of our review of the receipting function, we noted that the "Cash Receipting Audit Trail" report produced from the Synergsoft system lists receipts as well as any cancelled receipts processed during the day by the cashier. There was no evidence that this report was being reviewed by an independent senior officer.

Accounting for missing receipt numbers is an important internal control function in providing assurance that all collections have been properly accounted for and banked. Cancelled receipts can be used to cover up misappropriation or cash discrepancies.

We recommend that the "Cash Receipting Audit Trail" report be reviewed and initialled by a senior officer independent of the receipting function to indicate that the receipts reconciliations are correct and all cancelled receipts have been appropriately authorised with reasons ascertained and to provide evidence that the review has been carried out.

### **Management Comment:**

***It is expected that improved procedures will be developed for cash handling processes as part of the upcoming FMR Reg 17 and Reg 5 reviews.***

## IT CONTROLS

We discussed with the IT Officer about the general controls operating at your computer installation. Generally, the controls appear to be satisfactory.

However, the following matter was noted and is brought to your attention:

As part of our review, we examined the IT access controls surrounding the general ledger and various finance modules in the Synergsoft system. We observed that excessive number of staff members have been granted full add, modify, delete and query access to these modules.

User access management is the process of managing who has access to what information over time. An effective risk management process should be in place to continuously manage security risks to the Shire's information assets.

We recommend that management review the existing access given to staff and considerably reduce the number of authorised officers who are able to access these modules to only those with a justified need of accessing based on business requirements. When staff responsible in other areas require information not relevant to their role, such information, in our opinion, should be directed to the relevant authorised officer.

### **Management Comment:**

***It is foreseen that a review of IT Controls will be undertaken following the employment of the Executive Manager of Corporate and Community Services in October 2016.***

***In the past management has taken the approach that due to the size of the organisation staff should be multi-skilled and as a result require access to a number of areas of Synergy however, policies will be reviewed which will seek to tighten controls around IT areas and access be reduced to appropriate levels.***



## TENDERS REGISTER

Regulation 17 of the Local Government (Functions and General) Regulations 1996 requires the tender register to include the following information in respect of each invitation to tender:-

We could not verify that the Shire has complied with some of the above requirements of the regulation in many instances. Our findings from our selection of samples (5 tenders tested) indicated that the tenders register did not contain particulars of the making of the decision to invite tenders.

On a previous occasion, we sought clarification and guidance from the Department of Local Government and Communities and were advised that, in order to fully comply with the regulation, the register must indicate how the decision to invite tenders was made. The particulars of making of the decision are expected to take the form of:

- a copy of the Council resolution (extract of the minutes of the meeting at which the decision was made) or
- a copy of the exercise of the delegation, if one is given, to the CEO by the Council or on-delegation by CEO to a City Officer to make such a decision.

We recommend that the tenders register include the above particular to fully comply with the regulation.

This matter was previously raised in our previous interim audit management letter dated 30 June 2015. The management response then provided was as follows:

*"The recommendation is accepted and the tenders register will updated accordingly."*

We will be pleased to receive some feedback from management on the status of this matter.

### **Management Comment:**

***On 24 October 2016, Council adopted a Register of Delegated Authority which delegates authority to the Chief Executive Officer to invite tenders for supply of goods or services where the cost is expected to be more than \$150,000. Prior to this adoption, there was no delegated authority in place and at the same meeting Council resolved to invite tenders for three separate supplies of goods and services. No other tenders have been called in the 16/17 FY. There is no record of any formal decision by Council to invite tenders undertaken prior to this. The Shire of York has now implemented a Delegations Register which includes details of how delegations have been exercised and a Tender register which includes details of how the decision to invite tenders was made. These are intended to satisfy the provisions of Regulation 17 of the Local Government (Functions and General) Regulations 1996.***

***Council also adopted a Procurement Policy in October 2016 which outlines the tender documentation required to be recorded under this policy.***





## ASSET RESIDUAL VALUES AND DEPRECIATION EXPENSE

The AASB Board released an agenda decision in May 2015 clarifying its interpretation of the term "residual value" for the purposes of calculating depreciation for long-lived assets such as infrastructure assets under AASB 116 *Property Plant and Equipment*.

The AASB decision highlighted that components that are re-used in the construction of new assets have not met the end of their useful life i.e. residual value must not include or reflect the cost savings from the re-use of part of an asset. The AASB decision did not represent a new requirement but rather the clarification of an existing requirement, meaning those councils with non-compliant residual values had to reassess them immediately. This had the potential to impact on depreciation expense calculations.

Given the timing of the decision (May 2015), it is likely that most local governments will have made or will be making the necessary changes to ensure full compliance. We request that management address this requirement by reviewing the residual values applied to the assets and appropriately reassess asset components and useful lives for the purposes of the calculation of depreciation expense for the 2016 financial year.

### Management Comment:

*Through the revaluation process the Shire has recorded residual values as reported in the 2015/16 revaluation for plant and equipment. In addition to this, infrastructure assets are depreciated based on their long-life and short-life components – no residual values are recorded for infrastructure assets.*

*The Shire's 2016/17 budget includes an allocation for a full assessment to be undertaken for all other Council assets i.e. Buildings, in order to correct any occurrences of over-depreciation.*

We thank your staff for the assistance given during the course of the audit. Should you have any queries with respect to the above or any other matter, please do not hesitate to contact our office.

Yours faithfully

  
**ANTHONY MACRI**  
**AUDIT PARTNER**







Certified Practising Accountants

## SHIRE OF YORK



Audit Completion Report to the  
Audit Committee  
For the Year Ended 30 June 2016

15 December 2016



## Table of Contents

1. Executive Summary.....	1
1.1 Status of Audit .....	1
1.2 Deliverables .....	1
2. Financial Statements and Audit Opinion .....	2
3. Current Year Areas of Audit Focus .....	2
4. Assessment of Internal Controls .....	4
5. Key Findings During Final Phase of Audit.....	4
6. Significant Changes for the 2016/17 Year.....	5
7. Specific Required Communications .....	6
8. Disclaimer.....	8
9. Appendix 1 - Proposed Audit Opinion .....	9

# 1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan submitted to the Audit Committee in June 2016 discharges the requirements of the Auditing Standard.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Shire of York for the year ended 30 June 2016.

## 1.1 Status of Audit

Our audit field work at the Shire of York for the financial year ended 30 June 2016 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Shire, the following outstanding matters are required to be attended to:

- Receipt of signed fraud and error assessment by the auditor from the Audit Committee.
- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

## 1.2 Deliverables

Output	Timing
External Audit Plan	June 2016
Interim Audit Management Letter	30 November 2016
Present this report (Audit Completion Report) to the Audit Committee	TBA
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

## 2. Financial Statements and Audit Opinion

### Audit Opinion

We have completed the audit of the Shire of York's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Shire of York:

- (a) gives a true and fair view of the financial position of the Shire of York as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

## 3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Shire of York's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of Plant and Equipment	<p>Regulation 17A(4) of the LG (Financial Management) Regulations 1996 requires Plant and Equipment assets to be measured at fair value for the year ended 30 June 2016. The Shire's Plant and Equipment asset classes were revalued at fair value by external valuers, Howson Management Pty Ltd as well as by management internally during the year ended 30 June 2016.</p> <p>Audit procedures involved:</p> <ul style="list-style-type: none"> <li>• testing capital asset additions on a sample basis for accuracy to supporting documentation</li> <li>• reviewing the valuation methodology documents showing the basis of the asset valuations (at fair value) undertaken</li> <li>• considering the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied</li> <li>• Verifying asset reconciliation schedules against trial balance reported amounts.</li> </ul> <p>Results of the audit procedures conducted did not note any material misstatement of the asset classes valued.</p>

2	Risk of Fraud through Management Override of Controls	<p>Australian Auditing Standards ASA 240 – <i>The auditor’s responsibility to consider fraud in an audit of financial statements</i> requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.</p> <p>In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements;</li> <li>• consideration and review of unusual or significant transactions outside the normal course of business; and</li> <li>• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul> <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
3	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition may prevent Councils from recording unexpended grants as a liability instead of revenue (grants and contributions received in advance).</p> <p>Audit procedures included substantiation and verification of cut-off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p> <p>Results of the audit procedures conducted did not highlight any issues to bring to your attention.</p>
4	Financial Ratios	<p>The Department of Local Government and Communities launched a new website <a href="http://www.mycouncil.wa.gov.au/">http://www.mycouncil.wa.gov.au/</a> where all key financial ratios for every Council will be reported to allow the public to view the financial health score of local governments.</p> <p>Audit procedures included checking the calculations of the financial ratios and assessing the reasonableness of explanations provided for any significant variations.</p> <p>At this date, we are satisfied with the current disclosure of the financial ratios in the financial report.</p>



5	Contingent Liabilities	<p>Audit procedures included discussions with management, review of Council minutes and reviewing the solicitor's representation letter to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
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We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Shire's financial report.

## 4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for the Shire's current business operations.

However, a separate Interim Audit Management Letter was provided to management following our interim audit which provided details of the internal control matters raised.

## 5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3. In addition, during the course of our year-end fieldwork, other accounting and audit issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described below.

1	<b>Area: Asset Management Plans</b>
	<b>Issue</b>
	<p>Best practice asset management plans include a description of assets and services and the current condition of assets, set agreed levels and standards of service, and incorporate risk management strategies.</p> <p>Non-timely updating of asset management plans may pose a risk of Council relying on poor asset data and information systems which reduces the capacity of the Council to effectively monitor, evaluate and report on asset performance or to properly plan for asset rehabilitation.</p>



Recommendation	
	<p>Given the significant work undertaken in the revaluation of the Shire's Property, Plant and Equipment and Infrastructure Assets during the financial years ended 30 June 2013 to 30 June 2016, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the Shire's Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

## 6. Significant Changes for the 2016/17 Year

### **AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities was released in March 2015.**

AASB 2015-6 removes the scope exemption currently within AASB 124 *Related Party Disclosures* for not-for-profit public sector entities which means that they will need to comply with all paragraphs in AASB 124. The AASB did not include any not-for-profit public sector specific paragraphs in AASB 124 however Australian Implementation Guidance has been added as an Appendix.

#### **Implementation**

The effective date is annual reporting periods beginning on or after 1 July 2016 (i.e. 30 June 2017) financial statements for Councils, comparatives are not required.

The impact of this standard will be disclosure in nature only – there is no impact to reported financial position or performance. The implementation guidance reminds Councils that materiality still exists in this context and provides the following information:

*“as is often the case with related party transactions, judgement would be required as to when transactions are material, especially when qualitative assessments are made about the nature of transactions.”*

*“entity would also need to apply judgement in determining the extent of information it needs to collect to meet the objective of AASB 124, as there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure.”*

When Councils are considering whether a disclosure of a related party transaction is material they should consider not just the financial amount but whether the user of the financial statements would be impacted by the information in making decisions, i.e. in their vote for Elected Members, etc. An alternative way of thinking about whether a disclosure should be included is whether omitted information would make newspaper headlines if it were to be discovered.

### Implication

Key Management Personnel will include all Elected Members, Directors and all Senior Staff as determined by the Local Government Act 1995.

The additional disclosures are not onerous; however the time-consuming part of this standard is in identifying the transactions. The Shire is encouraged to refer to the Accounting Standard AASB 124 *Related Party Disclosures* and liaise with the Department of Local Government and Communities (DLGC) for further clarification or guidance on the types of disclosures for Not-for-profit public entities.

## 7. Specific Required Communications

The Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"><li>➤ There were no changes to the audit approach outlined in the External Audit Plan.</li></ul>
Significant accounting policies	<ul style="list-style-type: none"><li>➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Shire of York including new pronouncements adopted during the year, are described in Note 1 to the financial statements.</li><li>➤ There were no significant changes in the application of existing policies during the year ended 30 June 2016. The accounting policies adopted in the financial statements are appropriately disclosed.</li></ul>
Sensitive Accounting Estimates and Disclosures	<ul style="list-style-type: none"><li>➤ Refer to Section 3 - Current Year of Audit Focus</li></ul>
Misstatements and significant audit adjustments	<ul style="list-style-type: none"><li>➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the Shire of York, we consider that amounts of a value less than \$10,500 should be considered trivial. This represents 5% of materiality.</li><li>➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit.</li><li>➤ All financial adjustments that have been raised through the audit have been adjusted in the financial report.</li></ul>

<p>Significant Weaknesses in Internal Controls</p>	<p>➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.</p>
<p>Disagreements with management</p>	<p>➤ There have been no significant disagreements with management during the course of the audit.</p>
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:</p> <ul style="list-style-type: none"> <li>• Significant delays in management providing required information</li> <li>• An unnecessarily brief time within which to complete the audit</li> <li>• Extensive unexpected effort required to obtain sufficient appropriate audit evidence</li> <li>• The unavailability of expected information</li> <li>• Restrictions imposed on the auditor by management</li> </ul>	<p>➤ There were no serious difficulties encountered in dealing with management when performing the audit.</p>
<p>Fraud and Illegal Acts</p>	<p>➤ We are not aware of any matters that require communication.</p> <p>➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.</p>
<p>Compliance with laws and regulations</p>	<p>➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report.</p> <p>➤ We await written representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.</p>
<p>Books and records and conduct of the audit</p>	<p>➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.</p>
<p>Other Information in Documents Containing Audited Financial Statements</p>	<p>➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes.</p> <p>Other information in the Annual Report will be reviewed for consistency with the audited financial statements, when available.</p>

Related Party Transactions	<ul style="list-style-type: none"> <li>➤ None of which we are aware.</li> </ul>
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> <li>➤ None.</li> </ul>
Going concern	<ul style="list-style-type: none"> <li>➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.</li> </ul>
Independence	<ul style="list-style-type: none"> <li>➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.</li> </ul>

## 8. Disclaimer

This report has been prepared for the Audit Committee and Management of the Shire of York only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Shire of York.

## 9. Appendix 1 - Proposed Audit Opinion

### INDEPENDENT AUDITOR'S REPORT

#### TO: THE RATEPAYERS OF SHIRE OF YORK

We have audited the financial report of the Shire of York, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

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

Management is responsible for the preparation and fair presentation 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 controls 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. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the financial report 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 council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.



# INDEPENDENT AUDITOR'S REPORT

## TO: THE RATEPAYERS OF SHIRE OF YORK (Cont'd)

### Auditor's Opinion

In our opinion, the financial report of the Shire of York:

- (a) gives a true and fair view of the financial position of the Shire of York as at 30 June 2016 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards (including Australian Accounting Interpretations).

### 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 financial management practices of the Council.
- (b) There are 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 noted during the course of our audit:
- (c) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 26 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
  - (i) reasonably calculated; and
  - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Shire of York for the year ended 30 June 2016 included on the Shire's website. Management is responsible for the integrity of the Shire's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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**MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
SUITE 2, 137 BURSWOOD ROAD  
BURSWOOD WA 6100**

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**A MACRI  
PARTNER**

**PERTH  
DATED THIS            DAY OF            2016.**

# Fraud and Error Assessment – Audit Committee

## SHIRE OF YORK

FOR THE YEAR ENDING 30 JUNE 2016

The Australian Auditing Standards require us to consider the risk that fraud could occur within the Council. We are preparing to perform our Interim Audit risk assessment of your Council in relation to the audit for the year ending 30 June 2016. We would appreciate if you could briefly answer the following questions in the spaces provided, and return this signed letter.

1. Do you believe the policies and procedures in place within the Council are adequate to minimise the risk of fraud to an appropriately low level? Please provide an explanation for the reasons for your answer.

***During the year, allegations of misconduct by previous staff were raised and referred to the Major Fraud Squad (MFS) by Council. At a Special Council Meeting held 6 October 2015, it was resolved;***

*“That Council:*

1. *Consider the actions recommended by Detective Sergeant Kearns Gangin, Major Fraud Squad Western Australian Police Force.*
2. *Provide Clear direction to the Acting CEO by way of Council resolutions to:*
  - a. *request the Major Fraud Squad investigate possible offences as discussed at the meeting of Council, and Acting CEO with Detective Sergeant Kearns Gangin and Detective Sergeant Stuart Mirfin, Major Fraud Squad Western Australian Police Force at 2.00pm Monday 5 October 2015.*
  - b. *immediately provide a full copy of the Shire of York Response to the Show Cause notice as tabled at the Special Council Meeting 11 December 2014 to Detective Sergeant Kearns Gangin, Major Fraud Squad Western Australian Police Force.*
  - c. *immediately write to Detective Sergeant Kearns Gangin, Major Fraud Squad Western Australian Police Force requesting that the Major Fraud Squad investigate possible offences.*
  - d. *The letter to be signed by both the Acting Chief Executive Officer and the Shire President.”*

*CARRIED: 3/0*

***A new Policy G3.2 Fraud, Corruption and Misconduct Prevention was developed in direct response to this matter. This was adopted by Council in January 2016.***

***In February 2016, Council further resolved;***

*“That Council:*

1. *note the information contained in the report that the WA Police having assessed the information provided to them, are not going to undertake an investigation; and*
2. *note that work continues on strengthening governance, processes, and systems in the organisation and requests the Acting Chief Executive Officer to ensure that the incoming Chief Executive Officer is fully briefed on all pertinent matters.”*

*CARRIED: 5/2*

2. Have you, during the past year, become aware of or suspected fraud within the Council? If yes, please provide details.

**At the Ordinary Meeting of Council held 22 February 2016, the following public questions were taken on notice regarding "the appointment of Commissioner Best in a dual role as the Shire of York visionary consultant";**

1. (a) *In the Department of Finance - Procurement Practice Guide, it lists the key principles to be observed when engaging consultants. The Department states that it is generally not appropriate to engage consultants; where it is reasonably believed that a conflict of interest could develop or to resource long-term projects or ongoing core activities. Now that Minister Simpson has clarified that he did not authorize Mr Best's appointment as a visionary consultant, who, how and why did the Shire engage this man?*

1. (b) *Before engaging Mr Best as a visionary consultant, did the Shire obtain any of the following?*

- *description/objectives of the project and function and boundaries of the consultancy;*
- *outcomes/deliverables (e.g. reports, recommendations, seminars, workshops);*
- *project time frame, including milestones, deadlines and completion date;*
- *project methodologies and management requirements;*
- *required knowledge, expertise, experience, interpersonal skills;*
- *costing requirements e.g. fixed cost, daily or hourly rates, incidentals etc;*
- *proposed payment schedule*

2. *Mr Best's visioning report presented to Council/himself consisted of:*

- *21 pages of easily downloadable generic material*
- *12 pages of poor quality photographs of post-it notes stuck to A3 paper*
- *12 pages of poor quality photocopies of the 12 pages of poor quality photographs*
- *1 page advertising a business development meeting at the Castle*
- *6 pages of Mr Best's handwritten notes*
- *1 page of the 'output' from York business breakfast 5 May 2015*

*This 'Report' cost nearly \$40,000.00.*

(a) *Who approved payment of the visioning invoice?*

(b) *Does Council consider that the ratepayers have got value for their money in regard to Mr Best's visioning program?*

(c) *Does Council consider that Mr Best's report is satisfactory?*

***This matter has been investigated by the Chief Executive Officer and referred to the Public Sector Commission in accordance with his obligations under Sections 45H and 45I of the Crime Corruption and Misconduct Act 2003.***

3. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.

***Council adopted its first policy on Fraud, Corruption and Misconduct Prevention in January 2016.***

4. Has the Council's management communicated to you its processes for identifying/responding to risks of fraud?

***Council is satisfied that its new policies and delegation authorities are being effectively implemented by management and staff***

**Signature:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Position:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Examples of Circumstances that Indicate the Possibility of Fraud

The following are examples of circumstances that may indicate the possibility that the financial report may contain a material misstatement resulting from fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorised balances or transactions.
- Last-minute adjustments that significantly affect financial results.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorised duties.
- Tips or complaints to the auditor about alleged fraud.

Conflicting or missing evidence, including:

- Missing documents.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial statement ratios or relationships – for example receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from enquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Missing or non-existent cancelled cheques in circumstances where cancelled cheques are ordinarily returned to the entity with the bank statement.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.
- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, vendors, or others from whom audit evidence might be sought.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- Unwillingness to facilitate auditor access to key electronic files for testing through the use of computer-assisted audit techniques.
- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- An unwillingness to add or revise disclosures in the financial report to make them more complete and understandable.
- An unwillingness to address identified deficiencies in internal control on a timely basis.

Other



- Unwillingness by management to permit the auditor to meet privately with those charged with governance.
- Personal financial pressure
- Vices such as substance abuse and gambling
- Extravagant purchasing or lifestyle
- Real or imagined grievances against the organisation or management
- Increased stress, irritable, defensive and argumentative
- No vacations / sick leave / excessive overtime
- Dominant personality
- Protective of area of administration and missing documents and files from the staff's area
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's Code of Conduct.





# **SHIRE OF YORK**

## **ANNUAL FINANCIAL REPORT**

**2015-16**



**SHIRE OF YORK  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2016**

TABLE OF CONTENTS	PAGE
Statement by Chief Executive Officer	3
Statement of Comprehensive Income by Program	4
Statement of Comprehensive Income by Nature or Type	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement	9
<b>Notes to and forming part of the Financial Report</b>	
1. Significant Accounting Policies	10-25
2. Revenues and Expenses	26
3. Description of Functions/Activities	26
4. Cash and Cash Equivalents	27-28
5. Fixed Assets	29-31
6. Borrowings Information	32
7. Reserves Information	33-38
8. Cash Flow Information	39
9. Trust Fund Information	40
10. Rating Information	41
11. Specified Area Rates	41
12. Service Charges	41
13. Information about Discounts, Incentives, Concessions, Write Offs	42
14. Interest Charges for the Late Payment of Rates and Other Debts	43
15. Fees and Charges Information	44
16. Council Members - Fees, Expenses and Allowances	44
17. Investment Earnings Information	45
18. Depreciation on Non-Current Assets	46
19. Major Land Transactions Information	46
20. Trading Undertakings Information	46
21. Joint Ventures Information	46
22. Capital and Leasing Commitments Information	46
23. Financial Instruments Information	47-48
24. Position at Commencement of Financial Year	49
25. Capital Expenditure by Program	49
26. Financial Information by Ratio	50
27. Trade and Other Receivables Information	51
28. Inventories Information	51
29. Trade and Other Payables Information	51
30. Provisions Information	51
31. Employee Numbers and Remuneration Information	52
32. Grant Revenue	52
33. Contingent Liabilities Information	52
34. Total Assets Classified by Function and Activity	52
35. Events After Reporting Period	52
36. Fair Value Measurements	54-55
37. Economic Dependency	55



**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
**LOCAL GOVERNMENT ACT 1995**  
**LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**  
**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of York being the annual financial report and other information for the financial year ended 30th June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire of York 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                      day of December 2016.

Paul Martin  
Chief Executive Officer





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

2014/15 ACTUAL		NOTES	2015/16 BUDGET	2015/16 ACTUAL
<b>\$</b>	<b>REVENUE</b>		<b>\$</b>	<b>\$</b>
7,137,476	General Purpose Funding		6,774,003	6,258,644
85,347	Governance		15,383	52,898
88,540	Law, Order, Public Safety		226,628	84,963
24,356	Health		23,000	20,730
34,971	Education and Welfare		33,008	34,125
667,659	Community Amenities		693,223	726,353
810,568	Recreation and Culture		876,702	629,274
1,079,013	Transport		1,266,105	1,463,572
147,743	Economic Services		126,689	114,857
84,352	Other Property & Services		98,300	76,408
<b>10,160,025</b>			<b>10,133,041</b>	<b>9,461,824</b>
	<b>EXPENSES</b>			
(405,739)	General Purpose Funding		(438,365)	(902,502)
(850,920)	Governance		(971,869)	(932,011)
(378,671)	Law, Order, Public Safety		(508,003)	(438,039)
(270,549)	Health		(327,871)	(265,393)
(87,625)	Education and Welfare		(111,215)	(113,147)
(1,154,110)	Community Amenities		(1,244,413)	(1,083,202)
(2,285,111)	Recreation and Culture		(2,695,339)	(2,783,985)
(2,561,975)	Transport		(2,377,234)	(2,786,674)
(605,570)	Economic Services		(752,773)	(530,192)
(714,771)	Other Property and Services		(67,670)	(306,018)
<b>(9,315,041)</b>			<b>(9,494,753)</b>	<b>(10,141,163)</b>
	<b>FINANCE COSTS</b>			
(803)	Community Amenities		(222)	(73)
(118,321)	Recreation and Culture		(134,461)	(130,426)
(1,559)	Transport		(9,304)	(9,084)
<b>(120,683)</b>		6.3	<b>(143,987)</b>	<b>(139,583)</b>
	<b>ASSET DISPOSALS</b>			
(23,791)	Governance		(5,250)	3,924
0	Law, Order, Public Safety		(1,500)	(29,254)
0	Health		(14,500)	(4,856)
0	Community Amenities		(10,000)	0
0	Recreation and Culture		0	(577)
(11,553)	Transport		(5,950)	28,948
0	Economic Services		(4,500)	0
0	Other Property & Services		588,800	(6,520)
<b>(35,344)</b>		5.2	<b>547,100</b>	<b>(8,335)</b>
<b>688,957</b>	<b>NET RESULT</b>		<b>1,041,400</b>	<b>(827,256)</b>
	<b>Other Comprehensive Income</b>			
20,708,873	Changes on Revaluation of Non-Current Assets	7.31	0	804,963
0	Initial Recognition - Investment in LG House Trust	17.2	0	63,263
<b>20,708,873</b>	Total Other Comprehensive Income		<b>0</b>	<b>868,226</b>
<b>21,397,830</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,041,400</b>	<b>40,970</b>

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



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

2014/15 ACTUAL		NOTES	2015/16 BUDGET	2015/16 ACTUAL
<b>\$</b>	<b>REVENUE</b>		<b>\$</b>	<b>\$</b>
4,622,832	Rates	10	5,078,828	5,126,915
2,760,075	Operating Grants, Subsidies and Contributions	32	1,790,563	1,257,451
1,492,709	Fees and Charges	15.1	1,524,856	1,505,299
191,285	Interest Earnings	17.1	167,000	215,243
80,334	Other Revenue		139,272	74,329
<b>9,147,235</b>			<b>8,700,519</b>	<b>8,179,237</b>
	<b>EXPENSES</b>			
(3,478,181)	Employee Costs		(3,926,349)	(3,502,768)
(2,988,116)	Materials and Contracts		(2,673,775)	(3,055,576)
(250,010)	Utility Charges		(321,732)	(313,445)
(2,224,631)	Depreciation on Non-Current Assets		(1,972,219)	(2,485,496)
(302,819)	Insurance Expenses		(322,436)	(188,720)
(120,683)	Interest Expenses		(143,987)	(139,583)
(125,238)	Other Expenditure		(278,242)	(617,252)
<b>(9,489,678)</b>			<b>(9,638,740)</b>	<b>(10,302,840)</b>
<b>(342,443)</b>			<b>(938,221)</b>	<b>(2,123,603)</b>
1,066,744	Non-Operating Grants, Subsidies and Contributions	32	1,432,521	1,304,682
7,093	Profit on Asset Disposals	5.1	600,000	32,871
(42,437)	Loss on Asset Disposals	5.1	(52,900)	(41,206)
<b>688,957</b>	<b>NET RESULT</b>		<b>1,041,400</b>	<b>(827,256)</b>
	<b>Other Comprehensive Income</b>			
	<i>Items that will not be reclassified subsequently to profit or loss</i>			
20,708,873	Changes on Revaluation of Non-Current Assets	7.31	0	804,963
0	Initial Recognition - Investment in LG House Trust	17.2	0	63,263
<b>20,708,874</b>	<b>Total Other Comprehensive Income</b>		<b>0</b>	<b>868,226</b>
<b>21,397,831</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,041,400</b>	<b>40,970</b>

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



**SHIRE OF YORK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Notes	Actual 2014/15 \$	Actual 2015/16 \$
<b>Current assets</b>			
Cash and cash equivalents	4	2,399,957	3,019,984
Trade and other receivables	27	1,945,849	791,728
Inventories	28	92,608	87,450
<b>Total current assets</b>		<b>4,438,415</b>	<b>3,899,162</b>
<b>Non-current assets</b>			
Trade and other receivables	27	57,702	69,080
Investment in LG House Trust	17.2	0	63,263
Property, plant and equipment	5	35,483,726	36,149,395
Infrastructure	5	97,533,176	97,963,213
<b>Total non-current assets</b>		<b>133,074,603</b>	<b>134,244,952</b>
<b>Total assets</b>		<b>137,513,018</b>	<b>138,144,114</b>
<b>Current liabilities</b>			
Trade and other payables	29	442,212	527,722
Borrowings	6	149,876	205,200
Provisions	30	615,135	701,396
<b>Total current liabilities</b>		<b>1,207,223</b>	<b>1,434,318</b>
<b>Non-current liabilities</b>			
Borrowings	6	2,148,420	2,541,575
Provisions	30	68,241	38,117
<b>Total non-current liabilities</b>		<b>2,216,661</b>	<b>2,579,692</b>
<b>Total liabilities</b>		<b>3,423,884</b>	<b>4,014,010</b>
<b>Net assets</b>		<b>134,089,134</b>	<b>134,130,104</b>
<b>Equity</b>			
Retained surplus		31,433,456	30,525,934
Reserves - Cash backed	7.30	1,887,277	1,967,543
Asset revaluation surplus	7.31	100,768,401	101,573,364
Financial Assets Reserve		0	63,263
<b>Total equity</b>		<b>134,089,134</b>	<b>134,130,104</b>

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





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

	NOTES	RETAINED SURPLUS	RESERVES	ASSET REVALUATION SURPLUS	FINANCIAL ASSETS RESERVE	TOTAL EQUITY
		\$	\$	\$	\$	\$
<b>Balance as at 1 July 2014</b>		<b>30,785,282</b>	<b>1,846,494</b>	<b>80,059,528</b>	<b>0</b>	<b>112,691,304</b>
Comprehensive Income						
Net Result		688,957	0	0	0	688,957
Changes on revaluation of non-current assets	7.31	0	0	20,708,873	0	20,708,873
Total Comprehensive Income		688,957	0	20,708,873	0	21,397,830
Reserve Transfers		(40,783)	40,783	0	0	0
<b>Balance as at 30 June 2015</b>		<b>31,433,456</b>	<b>1,887,277</b>	<b>100,768,401</b>	<b>0</b>	<b>134,089,134</b>
Net Result		(827,256)	0	0	0	(827,256)
Changes on revaluation of non-current assets	7.31	0	0	804,963	0	804,963
Initial Recognition - Investment in LG House Trust	17.2	0	0	0	63,263	63,263
Total Comprehensive Income		(827,256)	0	804,963	63,263	40,970
Reserve Transfers		(80,265)	80,265	0	0	0
<b>Balance as at 30 June 2016</b>		<b>30,525,935</b>	<b>1,967,542</b>	<b>101,573,364</b>	<b>63,263</b>	<b>134,130,104</b>

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



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

2014/15 ACTUAL		NOTES	2015/16 BUDGET	2015/16 ACTUAL
\$			\$	\$
	<b>Cash Flows from Operating Activities</b>			
	<b>REVENUE</b>			
4,704,573	Rates		5,478,828	5,119,147
1,728,074	Operating Grants and Subsidies		1,686,934	1,683,081
278,423	Contributions and Donations Reimbursements		103,629	321,878
1,517,726	Fees and Charges		2,066,483	1,870,749
191,285	Interest Received		167,000	215,243
543,723	GST		600,000	545,949
84,107	Other Revenue		139,272	74,329
<b>9,047,911</b>			<b>10,242,146</b>	<b>9,830,377</b>
	<b>EXPENDITURE</b>			
(3,461,305)	Employee Costs		(3,973,392)	(3,442,183)
(3,508,404)	Materials & Contracts		(2,668,940)	(3,491,587)
(250,010)	Utilities		(321,732)	(313,445)
(302,819)	Insurance		(322,436)	(188,720)
(120,002)	Interest Expenses		(144,236)	(131,999)
(125,238)	Other Expenditure		(123,242)	(617,252)
<b>(7,767,778)</b>			<b>(8,180,500)</b>	<b>(8,185,186)</b>
<b>1,280,133</b>	<b>Net Cash flows from Operating Activities</b>	8.2	<b>2,061,646</b>	<b>1,645,192</b>
	<b>Cash flows from investing activities</b>			
	<b>Payments</b>			
(413,603)	Purchase Land and Buildings		(728,282)	(685,123)
(1,570,437)	Purchase Infrastructure Assets- Roads and Bridges		(1,946,560)	(1,661,497)
(48,329)	Purchase Infrastructure Assets - Recreational Facilities		(1,524,102)	(188,644)
(6,665)	Purchase Infrastructure Assets - Other		(75,000)	0
(442,565)	Purchase Plant and Equipment		(860,800)	(490,272)
(82,668)	Purchase Furniture and Equipment		(108,077)	(66,662)
<b>(2,564,267)</b>			<b>(5,242,821)</b>	<b>(3,092,198)</b>
	<b>Receipts</b>			
0	Proceeds from Sale of Land and Buildings	5.1	600,000	0
126,333	Proceeds from Sale of Plant and Equipment	5.1	340,700	307,624
1,066,744	Non-operating Grants & Subsidies		1,432,521	1,304,682
<b>1,193,077</b>			<b>2,373,221</b>	<b>1,612,306</b>
<b>(1,371,190)</b>	<b>Net cash flows from investing activities</b>		<b>(2,869,600)</b>	<b>(1,479,892)</b>
	<b>Cash flows from financing activities</b>			
338,616	Proceeds from Borrowings		625,000	625,000
(105,730)	Loan Repayments - Principal	6.3	(200,948)	(176,521)
11,860	Principal Repayments Received		6,248	6,248
<b>244,746</b>	<b>Net cash flows from financing activities</b>		<b>430,300</b>	<b>454,727</b>
<b>153,689</b>	<b>Net (decrease)/increase in cash held</b>		<b>(377,654)</b>	<b>620,027</b>
<b>2,246,268</b>	<b>Cash at the Beginning of Reporting Period</b>		<b>2,432,546</b>	<b>2,399,957</b>
<b>2,399,957</b>	<b>Cash at the End of Reporting Period</b>	8.1	<b>2,054,892</b>	<b>3,019,984</b>

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





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

2014/15 ACTUAL		NOTES	2015/16 BUDGET	2015/16 ACTUAL
<b>\$</b>	<b>REVENUE</b>		<b>\$</b>	<b>\$</b>
2,514,644	General Purpose Funding		1,695,176	1,131,729
85,347	Governance		15,383	52,898
88,540	Law, Order Public Safety		226,628	84,963
24,356	Health		23,000	20,730
34,971	Education and Welfare		33,008	34,125
667,659	Community Amenities		693,223	726,353
810,568	Recreation and Culture		876,702	629,274
1,079,013	Transport		1,266,105	1,463,572
147,743	Economic Services		126,689	114,857
84,352	Other Property and Services		98,300	76,408
<b>5,537,193</b>			<b>5,054,213</b>	<b>4,334,910</b>
	<b>EXPENSES</b>			
(405,739)	General Purpose Funding		(438,365)	(902,502)
(850,920)	Governance		(971,869)	(932,011)
(378,671)	Law, Order, Public Safety		(508,004)	(438,039)
(270,549)	Health		(327,871)	(265,393)
(87,625)	Education and Welfare		(111,215)	(113,147)
(1,154,913)	Community Amenities		(1,244,635)	(1,083,275)
(2,403,432)	Recreation and Culture		(2,829,800)	(2,914,411)
(2,563,534)	Transport		(2,386,538)	(2,795,758)
(605,570)	Economic Services		(752,773)	(530,192)
(714,771)	Other Property & Services		(67,670)	(306,018)
<b>(9,435,724)</b>			<b>(9,638,740)</b>	<b>(10,280,746)</b>
<b>(3,898,531)</b>			<b>(4,584,527)</b>	<b>(5,945,836)</b>
	Adjustments for Cash Budget Requirements			
11,860	Principal Repayment Received - Loans	6.3	6,248	6,248
126,333	Proceeds from sale of assets	5.1	940,700	307,624
(129,519)	Increase/(Decrease) in Staff Leave Reserve		0	11,891
35,352	Increase/(Decrease) in Accrued Leave Provisions		0	(30,124)
(10,000)	(Increase)/Decrease in Non-Current Debtors		0	(11,379)
50,000	Adjustment in stock		0	0
2,224,631	Depreciation		1,972,219	2,485,496
<b>2,308,657</b>			<b>2,919,167</b>	<b>2,769,756</b>
<b>(1,589,874)</b>			<b>(1,665,360)</b>	<b>(3,176,080)</b>
	<b>CAPITAL EXPENDITURE AND REVENUE</b>			
(413,603)	Purchase Land & Buildings		(743,282)	(685,123)
(1,570,437)	Infrastructure Assets - Roads		(1,946,560)	(1,661,497)
(48,329)	Infrastructure Assets - Recreation Facilities		(1,509,102)	(188,644)
(6,665)	Infrastructure Assets - Other		(75,000)	0
(442,565)	Purchase Plant and Equipment		(860,800)	(490,272)
(82,668)	Purchase Furniture and Equipment		(108,077)	(66,662)
(105,730)	Repayment of Debt - Loan Principal		(200,948)	(176,521)
338,616	Proceeds from Borrowings	6.3	625,000	625,000
(316,220)	Transfer to Reserves (Restricted Assets)	7.30	(378,658)	(366,331)
275,436	Transfer from Reserves (Restricted Assets)	7.30	542,484	286,065
0	Rates in Advance		0	(53,480)
<b>(2,372,165)</b>			<b>(4,654,943)</b>	<b>(2,777,465)</b>
<b>(3,962,039)</b>			<b>(6,320,302)</b>	<b>(5,953,545)</b>
1,337,699	ADD: Opening Funds Surplus/(Deficit)	24	1,241,474	1,998,492
(1,998,492)	LESS: Closing Funds (Surplus)/Deficit	24	0	(1,171,861)
<b>(4,622,833)</b>	Amount Required to be Raised from Rates	10	<b>(5,078,828)</b>	<b>(5,126,914)</b>

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



**SHIRE OF YORK**  
**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 9 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.





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

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

**(c) Cash and Cash Equivalents**

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

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

**(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.



**SHIRE OF YORK**  
**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)**

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.

***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 City 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.





**SHIRE OF YORK**  
**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)**

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.

***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 - 50 Years
Furniture and Equipment	4 -10 Years
Plant and Equipment	5 - 15 Years
Bridges	75 Years
Footpaths, Cycleways, Walkways and Skate Park	60-80 Years
Drainage - Culvert Pipes	80 Years
Drainage - Underground Pipes	120 Years
Parks Furniture and Equipment	5 – 20 Years
<i>Roads</i>	
Formation	not depreciated
Pavement Structure	70-110 Years
Bitumen Seal	20 Years
Unsealed Roads	30 Years





**SHIRE OF YORK**  
**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)**

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

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

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

***Capitalisation threshold***

Expenditure on items of equipment under \$1,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(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.



**SHIRE OF YORK**  
**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)**

**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.

**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.





**SHIRE OF YORK**  
**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**

***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.

***(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.



**SHIRE OF YORK**  
**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**

***Classification and subsequent measurement (continued)***

*(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.

***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.





**SHIRE OF YORK**  
**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**

***Impairment (continued)***

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 YORK**  
**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.



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

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

**(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.

**(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.





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

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

**(p) Interests in Joint Arrangements (continued)**

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 21.

**(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 4.2. 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.

**(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 YORK**  
**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 2019	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 YORK**  
**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	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2019	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>





**SHIRE OF YORK**  
**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	<p>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.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(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	<p>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.</p> <p>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.</p>

Notes:

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



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

**2. REVENUES AND EXPENSES**

The Operating Revenue and Expenses as reported in the Financial Report includes:

Actual 2014/15 \$	Charging as Expenses	Actual 2015/16 \$
2,224,631	Depreciation on Non-Current Assets	2,485,496
<u>2,224,631</u>	<b>Depreciation</b>	<u>2,485,496</u>
1,200	Acquittal Audits	1,200
18,360	Interim and Annual Audits	17,000
<u>19,560</u>	<b>Auditors Remuneration</b>	<u>18,200</u>
<u>120,683</u>	<b>Interest Expense</b>	<u>139,583</u>
(11,322)	Plant and Equipment	(3,507)
<u>(24,022)</u>	Furniture and Equipment	<u>(4,828)</u>
<u>(35,344)</u>	<b>Loss on Sale of Non-Current Assets</b>	<u>(8,335)</u>

**3. DESCRIPTION OF FUNCTIONS/ACTIVITIES**

**Description of Programs**

**GENERAL PURPOSE FUNDING**

Rates, general purpose government grants and interest revenue.

**GOVERNANCE**

Members expenses and the costs associated with meetings of Council, policy determination and public ceremonies and presentations and administration allocations.

**LAW, ORDER AND PUBLIC SAFETY**

Supervision of local laws, fire prevention including the provision of volunteer fire brigades, animal control and the support of local emergency and public safety organisations.

**HEALTH**

Food quality control, immunisation, environmental health and support to the medical practice and practitioners.

**EDUCATION & WELFARE**

Building maintenance of Pioneer Memorial Lodge (leased Aged Care facility) and Centennial Units which are a joint venture with Homeswest providing self contained units to over 55's. Support to youth based initiatives.

**HOUSING**

Maintenance of staff and rental housing.

**COMMUNITY AMENITIES**

Rubbish collection services, management of waste facilities, noise control, administration of the Town Planning Scheme, maintenance of cemeteries and storm water drainage maintenance.

**RECREATION AND CULTURE**

Maintenance of halls, aquatic centre, recreation centre and various reserves. Operation of the library and support to and maintenance of the Residency Museum.

**TRANSPORT**

Construction and maintenance of roads, bridges, footpaths, drainage works, lighting and cleaning of streets and depot maintenance.

**ECONOMIC SERVICES**

Area promotion, support to tourism, building control, the community bus, the Community Resource Centre and standpipes.

**OTHER PROPERTY AND SERVICES**

Private works carried out by Council, public works overhead allocations, plant operation cost allocations and stock.



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

**4. CASH AND CASH EQUIVALENTS**

4.1	<u>Actual</u> <u>2014/15</u>		<u>Note</u>	<u>Actual</u> <u>2015/16</u>
	\$			\$
	3,800	Cash on Hand		3,800
	597,157	Cash at Bank		1,469,127
	1,799,000	Term Deposits		1,547,057
	<u>2,399,957</u>	<b>Total Cash</b>		<u>3,019,984</u>
		<b>Represented by:-</b>		
	2,097,665	Restricted Cash*		2,199,056
	302,292	Unrestricted Cash		820,928
	<u>2,399,957</u>			<u>3,019,984</u>
	210,388	Unspent Grants	4.2	231,513
	1,887,277	Cash backed Reserve Funds	7.30	1,967,543
	<u>2,097,665</u>	<b>*Restricted Cash - Sub Total</b>		<u>2,199,056</u>





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

**4. CASH AND CASH EQUIVALENTS (Continued)**

**4.2 Conditions Over Contributions**

Grant/Contribution	Opening			Closing			Closing
	Balance <sup>(1)</sup> 1 July 2014 \$	Received <sup>(2)</sup> 2014/15 \$	Expended <sup>(3)</sup> 2014/15 \$	Balance <sup>(1)</sup> 30 June 2015 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Balance 30 June 2016 \$
Connecting Local Governments Funding	60,229	0	0	60,229	0	0	60,229
Workforce Plan Funding	18,186	0	0	18,186	0	0	18,186
Regional Cat Pound	15,011	0	(13,385)	1,626	0	(1,626)	0
Cat Sterilisation Program	13,536	0	(186)	13,350	0	(9,965)	3,385
Spencers Brook Road	50,183	0	(50,183)	0	0	0	0
Talbot West Bridge	45,319	0	0	45,319	0	(45,319)	0
Business Case Grant Funds	13,118	0	0	13,118	0	0	13,118
ANZAC Centenary Grant (Krupp Gun Housing etc.)	0	27,273	0	27,273	0	0	27,273
ANZAC Centenary Grant (Residency Museum Project)	0	31,287	0	31,287	0	0	31,287
Stronger Communities	0	0	0	0	11,785	0	11,785
Creating Age Friendly Communities	0	0	0	0	40,000	0	40,000
Regional Visitor Centre Sustainability Grant Program	0	0	0	0	16,250	0	16,250
Department of Local Government and Communities	0	0	0	0	10,000	0	10,000
<b>Total</b>	<b>215,582</b>	<b>58,560</b>	<b>(63,754)</b>	<b>210,388</b>	<b>78,035</b>	<b>(56,910)</b>	<b>231,513</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.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.



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

**5. FIXED ASSETS**

**5.1 Disposal of Asset by Class**

In accordance with Financial Management Regulation 36(1)(e), the following information is provided in relation to the disposal of Assets by Asset Class:

Asset by Class	Proceeds Sale of Assets		Written Down Value		Gain(Loss) on Disposal	
	Budget	Actual	Budget	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Furniture and Equipment	0	0	0	4,828	0	(4,828)
Plant and Equipment	340,700	307,624	393,600	311,131	(52,900)	(3,507)
Buildings	600,000	0	0	0	600,000	0
<b>TOTAL BY CLASS OF ASSETS</b>	<b>940,700</b>	<b>307,624</b>	<b>393,600</b>	<b>315,959</b>	<b>547,100</b>	<b>(8,335)</b>

**5.2 Disposal of Assets by Program**

	Proceeds Sale of Assets		Written Down Value		Gain/(Loss) on Disposal	
	Budget	Actual	Budget	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Governance	120,000	102,463	125,250	98,539	(5,250)	3,924
Law, Order & Public Safety	20,000	24,545	21,500	53,800	(1,500)	(29,255)
Health	50,000	36,773	64,500	41,628	(14,500)	(4,855)
Education & Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	35,000	0	45,000	0	(10,000)	0
Recreation & Culture	0	0	0	576	0	(576)
Transport	50,700	96,545	56,650	67,598	(5,950)	28,947
Economic Services	15,000	0	19,500	0	(4,500)	0
Other Property & Services	650,000	47,298	61,200	53,818	588,800	(6,520)
<b>TOTAL BY PROGRAM</b>	<b>940,700</b>	<b>307,624</b>	<b>393,600</b>	<b>315,959</b>	<b>547,100</b>	<b>(8,335)</b>



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

**5. FIXED ASSETS (Continued)**

**5.3 Fixed Assets according to Class**

	<u>Actual 2014/15</u>	<u>Actual 2015/16</u>
	\$	\$
<b><u>Property, Plant &amp; Equipment</u></b>		
Land (at independent valuation 2015)	4,720,450	4,720,450
Additions after valuation - cost	0	265,000
	<u>4,720,450</u>	<u>4,985,450</u>
Buildings (at independent valuation 2015)	28,440,100	28,440,100
Additions after valuation - cost	0	440,680
Less Accumulated Depreciation	0	(665,472)
	<u>28,440,100</u>	<u>28,215,308</u>
Furniture and Fittings (at management valuation 2014)	996,060	911,915
Additions after valuation - cost	82,668	66,662
Disposals	(166,813)	(40,520)
Less Accumulated Depreciation	(604,535)	(638,730)
	<u>307,380</u>	<u>299,327</u>
Plant and Equipment (at management valuation 2016)	2,768,811	983,344
Plant and Equipment (at independent valuation 2016)	0	3,271,919
Additions after valuation - cost	442,565	0
Disposals	(222,577)	(509,490)
Less Accumulated Depreciation	(973,003)	(1,096,462)
	<u>2,015,796</u>	<u>2,649,311</u>
<b><u>Total Property, Plant &amp; Equipment</u></b>	<u><u>35,483,726</u></u>	<u><u>36,149,396</u></u>
 <b><u>Infrastructure Assets</u></b>		
Roads (at independent valuation 2014)	97,895,797	97,895,797
Additions after valuation - cost	1,542,048	3,050,556
Less Accumulated Depreciation	(17,236,952)	(18,232,516)
	<u>82,200,893</u>	<u>82,713,837</u>
Drainage (at management valuation 2014)	617,989	617,989
Less Accumulated Depreciation	(104,825)	(112,453)
	<u>513,164</u>	<u>505,536</u>
Parks/Reserves (at management valuation 2014)	825,988	825,988
Less Accumulated Depreciation	(565,303)	(588,563)
	<u>260,685</u>	<u>237,425</u>
Bridges (at independent valuation 2015)	11,069,000	11,069,000
Additions after valuation - cost	0	90,072
Less Accumulated Depreciation	0	(138,583)
	<u>11,069,000</u>	<u>11,020,489</u>
Footpaths (at independent valuation 2014)	2,027,982	2,027,982
Additions after valuation - cost	3,145	66,062
Less Accumulated Depreciation	(832,417)	(877,189)
	<u>1,198,710</u>	<u>1,216,855</u>
Other Structures (at independent/management valuation 2014)	2,980,313	2,980,313
Additions after valuation - cost	51,849	240,493
Less Accumulated Depreciation	(741,439)	(951,736)
	<u>2,290,723</u>	<u>2,269,070</u>
<b><u>Total Infrastructure</u></b>	<u><u>97,533,175</u></u>	<u><u>97,963,213</u></u>



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

5. FIXED ASSETS (Continued)

5.4 Movements in Carrying Amounts

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

<u>Property, Plant &amp; Equipment</u>	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	4,720,450	265,000	0	0	0	0	0	0	4,985,450
Buildings	28,440,100	420,123	0	0	0	0	(665,472)	20,557	28,215,308
Furniture and Equipment	307,379	66,662	(4,718)	0	0	0	(69,997)	0	299,327
Plant and Equipment	2,015,796	490,272	(311,250)	804,963	0	0	(329,914)	(20,557)	2,649,311
<b>Total Property, Plant and Equipment</b>	<b>35,483,725</b>	<b>1,242,057</b>	<b>(315,968)</b>	<b>804,963</b>	<b>0</b>	<b>0</b>	<b>(1,065,383)</b>	<b>0</b>	<b>36,149,396</b>
<u>Infrastructure</u>									
Drainage	513,164	0	0	0	0	0	(7,628)	0	505,536
Parks/Reserves	260,685	0	0	0	0	0	(23,260)	0	237,425
Bridges	11,069,000	90,072	0	0	0	0	(138,583)	0	11,020,489
Footpaths	1,198,710	62,917	0	0	0	0	(44,772)	0	1,216,855
Other Items	2,290,723	188,644	0	0	0	0	(210,297)	0	2,269,070
Roads	82,200,893	1,508,508	0	0	0	0	(995,564)	0	82,713,837
<b>Total Infrastructure</b>	<b>97,533,175</b>	<b>1,850,141</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,420,104)</b>	<b>0</b>	<b>97,963,213</b>





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

**6. BORROWINGS**

**6.1 Loan Borrowings**

Actual 2014/15		Actual 2015/16
\$		\$
149,876	<b>Current Borrowings</b>	
	Loan Debentures	205,200
<b>149,876</b>	<b>BALANCE AS AT 30TH JUNE</b>	<b>205,200</b>
	<b>Non Current Borrowings</b>	
2,148,420	Loan Debentures	2,541,575
<b>2,148,420</b>	<b>BALANCE AS AT 30TH JUNE</b>	<b>2,541,575</b>
<b>2,298,296</b>	<b>TOTAL BORROWINGS AS AT 30TH JUNE</b>	<b>2,746,775</b>

**6.2 Loans Raised during the Financial Year**

Actual 2014/15		Actual 2015/16
\$		\$
	The Shire borrowed the following funds in the 2015/16 financial year.	
	Amount Borrowed	
338,616	Loan 66 - Plant Purchases	0
0	Loan 67 - Purchase 25 & 27 South Street, York	625,000
(338,616)	Amount Expended	(625,000)
<b>Nil</b>	<b>CLOSING BALANCE</b>	<b>Nil</b>

**6.3 Loan Repayments**

Council's Loan Liability is summarised as:

Program	Principal		New Loans Raised		Interest		Principal Repayment		Principal 30/06/2016
	1/07/2015		Budget	Actual	Budget	Actual	Budget	Actual	
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Community Amenities</b>									
(*) Water Supply - Loan 60	6,248	0	0	222	219	6,248	6,248	0	
<b>Recreation &amp; Culture</b>									
Archive Facility - Loan 65	84,612	0	0	3,997	3,932	10,856	10,856	73,756	
Forrest Oval - Loan 62	1,178,043	0	0	74,344	73,528	44,400	44,401	1,133,642	
Forrest Oval - Loan 63	269,849	0	0	13,752	13,569	17,185	17,185	252,664	
Forrest Oval - Loan 64	420,928	0	0	21,451	21,166	26,807	26,807	394,121	
<b>Transport</b>									
Plant Purchases - Loan 66	338,616	0	0	9,304	9,304	44,379	44,379	294,237	
<b>Other Property &amp; Services</b>									
25 & 27 South St, York	0	625,000	625,000	20,917	10,281	51,072	26,645	598,355	
<b>Plus Change in Net Accrual</b>	0	0	0	0	7,584	0	0	0	
<b>TOTAL</b>	<b>2,298,296</b>	<b>625,000</b>	<b>625,000</b>	<b>143,987</b>	<b>139,583</b>	<b>200,947</b>	<b>176,521</b>	<b>2,746,775</b>	
Loan Repayments to be financed by Council				143,765	139,364	194,699	170,273		
Loan Repayments reimbursed from external sources				222	219	6,248	6,248		
<b>TOTAL</b>				<b>143,987</b>	<b>139,583</b>	<b>200,947</b>	<b>176,521</b>		

(\*) Self Supporting Loan financed by payments from third parties.

All other loan repayments were financed by general purpose income.

Council does not hold any unspent loan funds as detailed in Financial Management Regulation 48(a).

**6.4 Overdraft Facility**

The Shire established an overdraft facility in 2003 of \$200,000 to assist with short term liquidity requirements. The balance of the overdraft as at 30 June 2016 was \$nil (30 June 2015: Nil) (Financial Management Regulation 48(b)).



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

**7. RESERVES - CASH BACKED**

The transactions of the Reserve Funds are summarised as follows:

Actual 2014/15 \$		Budget 2015/16 \$	Actual 2015/16 \$
<b>7.1 Plant Replacement Reserve (Cash Backed)</b>			
Purpose - Acquisition of plant and major capital repairs for plant			
119,740	Balance brought forward 1st July	387,381	387,381
	Plus Transfer from Accumulated Surplus		
3,738	- Interest Received	9,935	9,015
263,903	- Other	305,527	305,527
	Less Transfer To Accumulated Surplus		
0	- Other Plant Purchases	(295,000)	(185,172)
<u>387,381</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>407,843</u>	<u>516,751</u>
<b>7.2 Avon River Reserve (Cash Backed)</b>			
Purpose - Maintain and protect Avon River and its environs			
13,337	Balance brought forward 1st July	13,715	13,715
	Plus Transfer from Accumulated Surplus		
378	- Interest Received	0	319
	Less Transfer To Accumulated Surplus		
0	- Other swing bridge entrance	(13,715)	0
<u>13,715</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>14,034</u>
<b>7.3 Recreation Complex Reserve (Cash backed)</b>			
Purposes - Provide for multi-purpose community centre and ongoing development of recreation facilities			
4,220	Balance brought forward 1st July	0	0
	Plus Transfer from Accumulated Surplus		
120	- Interest Received	0	0
0	- Other YRCC membership fees	0	0
	Less Transfer To Accumulated Surplus		
(4,340)	- Other function centre IT and kitchen utensils	0	0
<u>(0)</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>0</u>
<b>7.4 Town Planning Reserve (Cash backed)</b>			
Purpose - Develop and review York Town Planning Schemes and amendments			
15,493	Balance brought forward 1st July	6,682	6,682
	Plus Transfer from Accumulated Surplus		
439	- Interest Received	0	156
(9,250)	- Other TPS Review	(6,682)	0
<u>6,682</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>6,838</u>
<b>7.5 Refuse Site Development Reserve (Cash Backed)</b>			
Purpose - Ongoing maintenance and development of Council's waste management facilities			
172,793	Balance brought forward 1st July	171,189	171,189
	Plus Transfer from Accumulated Surplus		
4,895	- Interest Received	4,391	3,984
	Less Transfer To Accumulated Surplus		
(6,498)	- Other - Operating Loss	0	0
<u>171,189</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>175,580</u>	<u>175,173</u>
<b>7.6 Industrial Land Reserve (Cash backed)</b>			
Purpose - Development and expansion of an industrial subdivision within the Shire			
115,856	Balance brought forward 1st July	119,137	119,137
	Plus Transfer from Accumulated Surplus		
3,281	- Interest Received	3,056	2,773
<u>119,137</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>122,193</u>	<u>121,910</u>



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

**7. RESERVES - CASH BACKED (Continued)**

Actual 2014/15		Budget 2015/16	Actual 2015/16
\$		\$	\$
<b>7.7 Residency Museum Reserve (Cash Backed)</b>			
Purpose - Fund capital expenditure and maintenance of the historical museum			
11,284	Balance brought forward 1st July	5,648	5,648
	Plus Transfer from Accumulated Surplus		
320	- Interest Received	0	131
(5,956)	- Other - Monitored Alarm System	(5,648)	0
<u>5,648</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>(0)</u>	<u>5,779</u>
<b>7.8 Pioneer Memorial Lodge Reserve (Cash Backed)</b>			
Purpose - Finance capital improvements and extensions to seniors village (from operational surpluses of the Lodge)			
122,551	Balance brought forward 1st July	103,293	103,293
	Plus Transfer from Accumulated Surplus		
3,471	- Interest Received	2,649	2,404
(22,729)	Less Transfer To Accumulated Surplus	(32,000)	(10,406)
<u>103,293</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>73,942</u>	<u>95,291</u>
<b>7.9 Public Open Space Reserve (Cash Backed)</b>			
Purpose - Expansion and development of passive recreation areas within the Shire			
393	Balance brought forward 1st July	405	405
	Plus Transfer from Accumulated Surplus		
11	- Interest Received	0	9
0	Less Transfer To Accumulated Surplus	(405)	0
<u>404</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>414</u>
<b>7.10 Community Bus Reserve (Cash Backed)</b>			
Purpose - Finance the changeover of the Community Bus (funded from operational surpluses of the Community Bus)			
69,041	Balance brought forward 1st July	73,703	73,703
	Plus Transfer from Accumulated Surplus		
1,955	- Interest Received	1,890	1,715
2,707	- Other	2,382	4,658
<u>73,703</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>77,975</u>	<u>80,076</u>
<b>7.11 Centennial Gardens Reserve (Cash Backed)</b>			
Purpose - Further expansion and capital repairs of the existing units			
117,883	Balance brought forward 1st July	122,988	122,988
	Plus Transfer from Accumulated Surplus		
3,338	- Interest Received	3,154	2,862
1,766	- Other	0	7,428
0	Less Transfer To Accumulated Surplus	(18,528)	0
<u>122,988</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>107,614</u>	<u>133,278</u>
<b>7.12 Car Parking Reserve (Cash Backed)</b>			
Purpose - The Management and control of parking facilities in accordance with Council's Parking Plan			
16,100	Balance brought forward 1st July	16,556	16,556
	Plus Transfer from Accumulated Surplus		
456	- Interest Received	425	385
<u>16,556</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>16,981</u>	<u>16,941</u>
<b>7.13 Archives Reserve (Cash Backed)</b>			
Purpose - To provide a secure building for the safe storage of Council's archival records			
19,932	Balance brought forward 1st July	6,324	6,324
	Plus Transfer from Accumulated Surplus		
564	- Interest Received	0	147
(14,173)	Less Transfer To Accumulated Surplus	(6,324)	0
<u>6,324</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>(0)</u>	<u>6,471</u>



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

**7. RESERVES - CASH BACKED (Continued)**

	Actual 2014/15	Budget 2015/16	Actual 2015/16
	\$	\$	\$
<b>7.14 Disaster Reserve (Cash Backed)</b> Purpose - To help fund recover from a natural disaster			
29,970	Balance brought forward 1st July	30,819	30,819
849	Plus Transfer from Accumulated Surplus		
0	- Interest Received	790	717
0	- Other	0	404
<b>30,819</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>31,609</b>	<b>31,940</b>
<b>7.15 Water Supply Reserve (Cash Backed)</b> Purpose - To hold funds raised through water supply charge until loan repayments is due			
6,778	Balance brought forward 1st July	6,778	6,778
<b>6,778</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>6,778</b>	<b>6,778</b>
<b>7.16 Tied Grant Funding Reserve (Cash Backed)</b> Purpose - To segregate grant funds provided for specific projects until those projects are carried out			
61,425	Balance brought forward 1st July	60,672	60,672
0	Less Transfer To Accumulated Surplus		
0	- Other SEAVROC	(11,375)	0
0	- Other Regional Waste Management Strategy	(6,118)	0
0	- Other You're Welcome	(11,602)	0
(753)	- Other Mannavale, Qualan, West and Spencers Brook Bridges	(30,077)	(12,020)
<b>60,672</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>1,500</b>	<b>48,652</b>
<b>7.17 Staff Leave Reserve (Cash Backed)</b> Purpose - To fund annual and long service leave requirements			
640,469	Balance brought forward 1st July	510,950	510,950
15,274	Plus Transfer from Accumulated Surplus		
0	- Interest Received	13,105	11,891
0	- Other	20,000	0
(144,793)	Less Transfer To Accumulated Surplus		
0	- Other	0	0
<b>510,950</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>544,055</b>	<b>522,840</b>
<b>7.18 Main St (Town Precinct) Upgrade Reserve (Cash Backed)</b> Purpose - To provide funds for the upgrade of Main Street and development of a town precinct			
45,977	Balance brought forward 1st July	(0)	0
1,301	Plus Transfer from Accumulated Surplus		
0	- Interest Received	0	0
(47,279)	Less Transfer To Accumulated Surplus		
0	- Other	0	0
<b>(0)</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>(0)</b>	<b>0</b>
<b>7.19 Buildings Reserve (Cash Backed)</b> Purpose - To provide for the construction and major capital improvements to all Council buildings			
1,015	Balance brought forward 1st July	1,044	1,044
29	Plus Transfer from Accumulated Surplus		
0	- Interest Received	27	24
<b>1,044</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>1,071</b>	<b>1,068</b>
<b>7.2 Strategic Planning Reserve (Cash Backed)</b> Purpose - To provide for the preparation, ongoing replacement, amendment & printing costs associated with the Strategic Plan			
7,356	Balance brought forward 1st July	7,564	7,564
208	Plus Transfer from Accumulated Surplus		
0	- Interest Received	0	176
0	Less Transfer To Accumulated Surplus		
0	- Other	(7,564)	(7,740)
<b>7,564</b>	<b>BALANCE AS AT 30th JUNE</b>	<b>0</b>	<b>0</b>





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

**7. RESERVES - CASH BACKED (Continued)**

Actual 2014/15 \$		Budget 2015/16 \$	Actual 2015/16 \$
7.21	Cemetery Reserve (Cash Backed) Purpose - To provide for ongoing development of the York Cemetery or development of a new cemetery site		
24,261	Balance brought forward 1st July	24,948	24,948
	Plus Transfer from Accumulated Surplus		
687	- Interest Received	0	581
	Less Transfer To Accumulated Surplus		
0	- Other Cemetery Upgrades	(24,948)	(20,727)
<u>24,948</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>4,802</u>
7.22	York Town Hall Reserve (Cash Backed) Purpose - To provide for the ongoing development of York Town Hall recognising its significant heritage value to residents		
19,124	Balance brought forward 1st July	0	0
	Plus Transfer from Accumulated Surplus		
542	- Interest Received	0	0
	Less Transfer To Accumulated Surplus		
(19,666)	- Other Town Hall Lift Awning	0	0
<u>(0)</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>0</u>	<u>0</u>
7.23	Roads Reserve (Cash Backed) Purpose - To provide for future road resealing requirements		
74,903	Balance brought forward 1st July	77,024	77,024
	Plus Transfer from Accumulated Surplus		
2,121	- Interest Received	2,468	1,792
	Less Transfer To Accumulated Surplus		
0	- Other Townsite Redevelopment	0	(50,000)
<u>77,024</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>79,492</u>	<u>28,817</u>
7.24	Land & Infrastructure Development Reserve (Cash Backed) Purpose - To provide for the purchase of land and/or buildings or the construction of buildings		
87,069	Balance brought forward 1st July	89,535	89,535
	Plus Transfer from Accumulated Surplus		
2,466	- Interest Received	2,296	2,084
<u>89,535</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>91,831</u>	<u>91,618</u>
7.25	Greenhills Townsite Development Reserve (Cash Backed) Purpose - To provide for the enhancement of the amenity and economic potential of the townsite in consultation with the Greenhills Progress Association		
27,236	Balance brought forward 1st July	28,007	28,007
	Plus Transfer from Accumulated Surplus		
771	- Interest Received	718	652
	Less Transfer To Accumulated Surplus		
0	- Other	(22,500)	0
<u>28,007</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>6,225</u>	<u>28,659</u>



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

**7. RESERVES - CASH BACKED (Continued)**

	Actual 2014/15 \$		Budget 2015/16 \$	Actual 2015/16 \$
<b>7.26 RSL Memorial Reserve (Cash Backed)</b>				
Purpose - To provide for the upgrading of the RSL memorial				
11,853	11,853	Balance brought forward 1st July	12,188	12,188
		Plus Transfer from Accumulated Surplus		
336	336	- Interest Received	313	284
0	0	- Other		
<u>12,189</u>	<u>12,189</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>12,501</u>	<u>12,472</u>
<b>7.27 Forrest Oval Bowling Greens Reserve (Cash Backed)</b>				
Purpose - to provide for the replacement of bowling rink synthetic surfaces				
7,397	7,397	Balance brought forward 1st July	7,606	7,606
		Plus Transfer from Accumulated Surplus		
209	209	- Interest Received	195	177
0	0	- Other	4,000	3,904
<u>7,606</u>	<u>7,606</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>11,801</u>	<u>11,687</u>
<b>7.28 Forrest Oval Tennis Greens Reserve (Cash Backed)</b>				
Purpose - to provide for the future of tennis synthetic surface				
1,040	1,040	Balance brought forward 1st July	1,069	1,069
		Plus Transfer from Accumulated Surplus		
29	29	- Interest Received	27	25
0	0	- Other	750	596
<u>1,069</u>	<u>1,069</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>1,846</u>	<u>1,690</u>
<b>7.29 Forrest Oval Lights Reserve (Cash Backed)</b>				
Purpose - to provide for the replacement and upgrading of the Oval Lights				
1,998	1,998	Balance brought forward 1st July	2,054	2,054
		Plus Transfer from Accumulated Surplus		
56	56	- Interest Received	53	48
0	0	- Other	1,000	1,464
<u>2,054</u>	<u>2,054</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>3,107</u>	<u>3,566</u>
<u>1,887,277</u>	<u>1,887,277</u>	<b>TOTAL RESERVES - CASH BACKED</b>	<u>1,773,943</u>	<u>1,967,542</u>
<b>7.30 Cash Backed Reserve Summary</b>				
1,846,494	1,846,494	Balance brought forward 1st July	1,887,277	1,887,277
316,220	316,220	Plus Transfer from Accumulated Surplus	378,657	366,331
(275,437)	(275,437)	Less Transfer To Accumulated Surplus	(542,484)	(286,065)
<u>1,887,277</u>	<u>1,887,277</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>1,723,450</u>	<u>1,967,542</u>

All of the above Reserve Accounts are cash backed and are disclosed as Restricted Cash Assets in Note 4.1 of the Annual Financial Statements. It is anticipated that the Reserves will be utilised over the next 1 to 10 years. Council would expect further transfers to be made to some of the Reserves as funds are utilised.



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

**7.31 Asset Revaluation Surplus**

Revaluation surpluses have arisen on revaluation of the following classes of Non-Current assets:

<u>Actual</u> <u>2014/15</u>		<u>Actual</u> <u>2015/16</u>
\$		\$
	<b>Roads</b>	
67,555,433	Balance brought forward 1st July	67,555,433
0	Revaluation Increment	0
0	Revaluation Decrement	0
<u>67,555,433</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>67,555,433</u>
	<b>Bridges</b>	
11,468,112	Balance brought forward 1st July	8,886,659
18,159,936	Revaluation Increment	0
(20,741,389)	Revaluation Decrement	0
<u>8,886,659</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>8,886,659</u>
	<b>Footpaths</b>	
727,663	Balance brought forward 1st July	727,663
0	Revaluation Increment	0
0	Revaluation Decrement	0
<u>727,663</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>727,663</u>
	<b>Parks and Reserves</b>	
308,319	Balance brought forward 1st July	308,319
0	Revaluation Increment	0
0	Revaluation Decrement	0
<u>308,319</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>308,319</u>
	<b>Plant and Equipment</b>	
0	Balance brought forward 1st July	0
0	Revaluation Increment	804,963
0	Revaluation Decrement	0
<u>0</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>804,963</u>
	<b>Land</b>	
0	Balance brought forward 1st July	3,981,700
3,981,700	Revaluation Increment	0
0	Revaluation Decrement	0
<u>3,981,700</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>3,981,700</u>
	<b>Furniture and Equipment</b>	
0	Balance brought forward 1st July	1,029
1,029	Revaluation Increment	0
0	Revaluation Decrement	0
<u>1,029</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>1,029</u>
	<b>Buildings</b>	
0	Balance brought forward 1st July	19,307,598
19,307,598	Revaluation Increment	0
0	Revaluation Decrement	0
<u>19,307,598</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>19,307,598</u>
<u>100,768,401</u>	<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u>101,573,364</u>
	<b>SUMMARY ASSET REVALUATION SURPLUS</b>	
80,059,527	Balance brought forward 1st July	100,768,401
41,450,263	Revaluation Increment	804,963
(20,741,389)	Revaluation Decrement	0
<u>100,768,401</u>	<b>BALANCE AS AT 30th JUNE</b>	<u>101,573,364</u>



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

**8. CASH FLOW INFORMATION**

Reconciliation of cash flows from operations with change in net result resulting from operations.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with banks or financial institutions. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

8.1	<u>Actual 2014/15</u>	RECONCILIATION OF CASH	<u>Budget 2015/16</u>	<u>Actual 2015/16</u>
	\$		\$	\$
	302,292	Cash at Bank - Operating	95,283	820,928
	2,097,665	Restricted Cash	1,959,609	2,199,056
	<u>2,399,957</u>	<b>TOTAL CASH</b>	<u>2,054,892</u>	<u>3,019,984</u>
8.2		<b>RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO NET RESULT</b>		
	688,957	Net Result	1,041,400	(827,256)
		<i>Non cash flows in Net Result:</i>		
	2,224,631	Depreciation	1,972,219	2,485,496
	35,344	(Profit)/loss on sale of Fixed Assets	(547,100)	8,335
	(1,066,744)	Contributions for Development of Assets	(1,432,521)	(1,304,682)
		<b><u>Change in Assets and Liabilities</u></b>		
	(88,739)	(Increase)/Decrease in Inventory	25,000	5,158
	(642,936)	(Increase)/Decrease in Accounts Receivables	(115,305)	1,147,873
	34,388	(Increase)/Decrease in Non-Current Debtors	0	(11,378)
	10,018	(Increase)/Decrease in Provisions	21,326	56,137
	85,214	Increase/(Decrease) in Accounts Payables	1,096,627	85,510
	<u>1,280,133</u>	<b>Cash flows from Operations</b>	<u>2,061,646</u>	<u>1,645,193</u>
8.3		<b>Credit stand-by arrangement and loan facilities</b>		
		Council has a Credit Card facility of :		
	10,000	Credit Card Limit	10,000	10,000
	0	Amount Utilised	0	(2,988)
		Council has Bank Overdraft facilities of :		
	200,000	Credit Facility	200,000	200,000
	0	Amount Utilised	0	0
	<u>210,000</u>	<b>Unused Facility available</b>	<u>210,000</u>	<u>207,012</u>





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

**9. TRUST FUND INFORMATION**

Funds held at balance date over which the Council has no control and which are not included in the Financial Statements are:

PARTICULARS	OPENING BALANCE 1/07/2015 \$	RECEIPTS ACTUAL 2015/16 \$	PAYMENTS ACTUAL 2015/16 \$	CLOSING BALANCE 30/06/2016 \$
BCITF PAYMENT	1,711	11,073	11,617	1,167
BOND CAT TRAP	320	1,160	1,395	85
BONDS - EXTRACTIVE INDUSTRIES	4,500	0	0	4,500
BONDS - FOOTPATH & KERB	32,726	1,500	16,226	18,000
BONDS - HALL ETC	4,820	4,995	3,860	5,955
BONDS - KEYS	2,220	180	120	2,280
BONDS - PARKS/COUNCIL PROPS	500	0	0	500
BONDS - RENTAL PROPERTY	1,435	0	0	1,435
BUILDER REGIST BOARD LEVY	1,363	11,555	11,595	1,323
BUILDING BONDS	5,350	0	0	5,350
CASH RECEIPTS - OTHER	8,000	2,244	100	10,144
COMMUNITY BUS BONDS	1,800	1,150	1,750	1,200
CROSSOVER BOND - ASTONE	6,000	0	0	6,000
CROSSOVER BOND - N BLISS	1,650	0	0	1,650
CROSSOVER BOND - SMORENBURG	1,650	0	0	1,650
CROSSOVER BOND - AVON VALLEY P	5,940	0	0	5,940
FUNDS HELD FOR LOCAL GROUPS	59,989	6,316	13,482	52,823
GREENHILLS BUSHFIRE BRIGADE	114	0	0	114
LEEUVIN CONTRIBUTIONS	800	0	0	800
MOTO CROSS TRACK	4,487	672	0	5,159
NOMINATION DEPOSIT	0	800	800	0
PALMBROOK - CROSSOVERS	61,310	2,638	0	63,948
PALMBROOK - FOOTPATHS	64,312	2,660	0	66,971
PALMBROOK - INTERSECTIONS	27,900	1,201	0	29,101
PALMBROOK - PUBLIC OPEN SPACE	58,422	0	0	58,422
PALMBROOK - RURAL NUMBERS	1,820	0	0	1,820
PLANNING BONDS	2,900	2,000	2,000	2,900
POLICE LICENSING	0	1,461,126	1,461,126	0
PROPERTY SALE NON PAYMENT RATES	8,041	128,096	67,071	69,065
SETTLERS HOUSE BONDS	13,357	0	0	13,357
FUNDRAISING ACCOUNT	291	700	991	0
SUBDIVISION BONDS	45,014	10,000	4,000	51,014
SUBDIVISION BOND - BAWDEN	3,300	0	0	3,300
SUBDIVISION BOND - PREISIG	29,739	1,280	0	31,019
WATER LOAN REPAYMENTS IN FULL	733	0	733	0
SPORTING PRECINCT	3,960	0	0	3,960
<b>TOTAL</b>	<b>466,473</b>	<b>1,651,344</b>	<b>1,596,866</b>	<b>520,951</b>



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

**10. RATING INFORMATION**

Rating Information for the year ended 30 June 2016

RATE TYPE	Budget Rate		Number of Properties	Rateable Value	Total Rate Revenue
	Revenue	Rate in \$			
General Rate GRV	\$ 2,203,445	\$0.113892	1375	\$ 19,346,794	\$ 2,203,445
Minimum Rate GRV	624,240	\$1,080	578	3,505,594	624,240
General Rate UV	1,854,563	\$0.008657	399	214,227,016	1,854,563
Minimum Rate UV	371,480	\$1,480	251	29,065,616	371,480
Interim Rates	25,000				19,707
Back Rates	100				0
Rates Received in Advance	0				53,480
<b>TOTAL</b>	<b>5,078,828</b>		<b>2603</b>	<b>266,145,020</b>	<b>5,126,915</b>

**10.1 General and Minimum Rate**

In accordance with Financial Management Regulation 39, Council has imposed the following Rates:

Actual 2014/15		Budget 2015/16	Actual 2015/16
\$		\$	\$
0.099948	- General Rate Gross Rental Valued	0.113892	0.113892
\$1050 p.a.	- Minimum Rate Gross Rental Valued	\$1080 p.a.	\$1080 p.a.
0.007777	- General Rate Unimproved Valued	0.008657	0.008657
\$1450 p.a.	- Minimum Rate Unimproved Valued	\$1480 p.a.	\$1480 p.a.

**The Objects and Reasons for General and Minimum Rate**

All land except exempt land in the Shire of York is rated according to its Gross Rental Value (GRV) in Townsites or Unimproved Value (UV) in the remainder of the Shire.

The General Rates detailed above for the 2015/2016 financial year have been determined by the Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of Council's services and facilities.

**11. SPECIFIED AREA RATES**

No Specified Area Rates were levied during 2015/16.

**12. SERVICE CHARGES**

No Service Charges were imposed during 2015/16.



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

**13. INFORMATION ABOUT DISCOUNTS, INCENTIVES, CONCESSIONS AND WRITE OFFS**

Pursuant to Sections 6.4 and 6.12 of the Local Government Act 1995, Council may, when adopting the Annual Budget, grant an incentive or discount for the early payment of Rates and Charges.

**13.1 Discount on Rates and Service Charges**

The Council did not offer a discount on rates.

**13.2 Incentive Scheme (Rates)**

Council, with the support of the following businesses, allowed those property owners who paid their rates levy by the due date specified on the rates notice to participate in a draw for the following prizes.

- 1st Prize**            A \$1,000 bank account provided by the Shire of York in conjunction with the York & Districts Community Bank Branch of Bendigo Bank
- 2nd Prize**            Four tickets to see the West Australian Symphony Orchestra perform Beethoven & Mahler on Saturday, 21st November, 2015
- 3rd Prize**            A 2 night weekend stay at the Perth Ambassador Hotel in a Premium Deluxe Room including full buffet breakfast for 2 people each morning
- 4th Prize**            \$200 worth of unleaded fuel, sponsored by Fuel Distributors WA.

**13.3 Concessions**

Council offered subsidised hall and recreation centre hire to approved community groups. Council considers the support of these groups necessary for the overall benefit of the community. Approved groups paid \$66 per day, or \$330 per year where they used the venue on a regular basis for a period of 12 times within the year.

**13.4 Write Offs**

In accordance with Section 6.12 of the Local Government Act 1995 and Financial Management Regulation 42, details of debts written off by the Council during the financial year are as follows;

Actual 2014/15		Actual 2015/16
\$		\$
157,989	Write Offs	151,533
<b>157,989</b>		<b>151,533</b>



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

**14. INTEREST CHARGES FOR THE LATE PAYMENT OF RATES AND OTHER DEBTS**

**14.1 Interest Charge for Late Payment of Rates**

Pursuant to Section 6.51 of the Local Government Act and Financial Management Regulation 43(a) Council imposed the following rate of interest applicable for the late payment of rates and service charges and applied as follows:

- (a) Where no election has been made to pay the rate charge by instalments,
  - (i) after it becomes due and payable; or
  - (ii) 35 days after the date of issue of the rate notice
 which ever is the later.
- (b) Where an election has been made to pay the rate charge by instalments and an instalment remains unpaid after it is due and payable.

The rate of interest applied is 11% and the revenue from the imposition of the interest amounted to \$84,543

**14.2 Interest and other charges for the payment by instalments**

Pursuant to Section 6.45 of the Local Government Act and Financial Management Regulation 43(c) the due dates of each instalment was as follows:

1st Instalment	18 August 2015
2nd Instalment	20 October 2015
3rd Instalment	22 December 2015
4th Instalment	23 February 2016

The charges applicable for participation in the instalment scheme were as follows;

Interest calculated on instalment payments	5.50%
Administration charge per instalment	\$10

Actual 2014/15		Budget 2015/16	Actual 2015/16
\$		\$	\$
73,844	Interest Charges for the late Payment of Rates Charged	65,000	84,543
19,654	Instalment Interest Charges	17,000	23,300
1,728	Pensioner Deferred Rates Interest Charges	2,000	1,585
19,850	Administration Charges for Instalment Options	17,000	21,277
3,459	Interest charges for the late payment of ESL	3,000	2,366

**14.3 Interest Charges for Other Debts**

No interest is charged under Section 6.13 of the Local Government Act for the late payment of money, other than rates.





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

**15. FEES AND CHARGES INFORMATION**

**15.1 Fees and Charges by Program**

In accordance with Financial Management Regulation 41, the estimates of total revenue from Fees and Charges for each program are summarised as follows:

<u>Actual 2014/15</u>		<u>Actual 2015/16</u>
\$		\$
6,245	Governance	43,429
36,464	General Purpose Funding	1,334
39,785	Law, Order, Public Safety	36,422
24,356	Health	52,120
32,343	Education and Welfare	-
649,291	Community Amenities	698,828
533,727	Recreation and Culture	535,659
250	Transport	945
106,770	Economic Services	89,674
63,478	Other Property and Services	46,889
<u>1,492,709</u>	<b>TOTAL FEES AND CHARGES</b>	<u>1,505,299</u>

**15.2 Fees and Charges Amendments**

No amendments were made during the 2015/2016 financial year.

**16. COUNCIL MEMBERS - FEES, EXPENSES AND ALLOWANCES**

In accordance with Financial Management Regulation 44 Fees, Expenses or Allowances paid to Council Members are summarised as follows:

<u>Actual 2014/15</u>		<u>Budget 2015/16</u>	<u>Actual 2015/16</u>
\$		\$	\$
	<b>Annual Attendance Fee</b>		
30,722	Councillor (5)	78,600	63,889
10,135	President	20,270	18,885
	<b>Expenses</b>		
14,018	Telecommunications Allowance	24,500	20,350
3,647	Travel Expenses	1,500	0
	<b>Annual Local Government Allowance</b>		
11,455	President	16,340	14,958
2,003	Deputy President	4,085	3,683
51,000	Commissioner's Remuneration (Travel)	0	1,026
<u>122,980</u>		<u>145,295</u>	<u>122,792</u>



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

**17. INVESTMENT EARNINGS**

17.1 The Earnings from Investments are summarised as follows:

<u>Actual</u> <u>2014/15</u>		<u>Budget</u> <u>2015/16</u>	<u>Actual</u> <u>2015/16</u>
\$		\$	\$
39,608	General Account	35,000	62,464
52,991	Reserve Funds	45,000	43,351
98,686	Rates - Late payment & Instalment Interest	87,000	109,428
<u>191,285</u>	<b>TOTAL</b>	<u>167,000</u>	<u>215,244</u>

17.2 Financial Assets

*Available for sale financial assets*

<u>Actual</u> <u>2014/15</u>		<u>Actual</u> <u>2015/16</u>
\$		\$
<u>0</u>	Investment in WALGA Local Government House Trust	<u>63,263</u>

This note discloses the equity the Shire has in the Local Government House Trust as a consequence of a contribution towards the cost of purchasing Local Government House.

The total contribution by all Councils towards the cost of the WALGA building was \$582,000. There are 620 units in the Local Government House Unit Trust, 4 of which are held by the Shire of York.

The Shire has capitalised its share in the Local Government House Trust for the first time this year based on the trust's 30 June 2015 audited financial statements.



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

**18. DEPRECIATION ON NON-CURRENT ASSETS**

The Depreciation charge included in the Financial Statements are summarised as follows:

<u>Actual</u> <u>2014/15</u> \$		<u>Actual</u> <u>2015/16</u> \$
180	General Purpose Funding	0
77,620	Governance	107,482
44,507	Law, Order, Public Safety	47,524
14,115	Health	23,191
21,187	Education and Welfare	60,252
28,033	Community Amenities	18,142
383,948	Recreation and Culture	749,617
1,395,505	Transport	1,219,501
11,717	Economic Services	8,230
247,819	Other Property and Services	251,557
<u>2,224,631</u>	<b>TOTAL</b>	<u>2,485,496</u>

**19. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during 2015/16

**20. TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings during 2015/16.

**21. JOINT VENTURE**

**Centennial Park Aged Care**

Council together with Homeswest have a joint venture arrangement with regard to the provision of aged persons accommodation. Centennial Park consists of six units built by Homeswest and administered by Council. Council collects the rental income and pays ongoing expenses. Any surplus funds are transferred to Reserve at year end for future upgrades.

**22. CAPITAL AND LEASING COMMITMENTS**

At the reporting date, the Council did not have any obligations under non-cancellable operating leases.



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

**23. FINANCIAL INSTRUMENTS**

**23.1 Interest Rate Risk**

The following table details Council's exposure to financial risks, including interest rate risk, price risk, credit risk, etc as at 30th June 2016.

	Fair Value 2014/15	Average Interest Rate %	Interest Bearing \$	Non Interest Bearing \$	Carrying Value 2015/16 \$	Fair Value 2015/16 \$
<b>Financial Assets</b>						
Cash	2,399,957	2.84%	3,016,184	3,800	3,019,984	3,019,984
Receivables	2,003,551		0	860,808	860,808	860,808
	<u>4,403,508</u>		<u>3,016,184</u>	<u>864,608</u>	<u>3,880,792</u>	<u>3,880,792</u>
<b>Financial Liabilities</b>						
Payables	442,212		0	527,722	527,722	527,722
Borrowings	1,832,762		2,746,775	0	2,746,775	2,402,408
	<u>2,274,974</u>		<u>2,746,775</u>	<u>527,722</u>	<u>3,274,497</u>	<u>2,930,130</u>

**23.2 Material Risk from Financial Instruments**

Council does not have any material credit risk exposure to any single debtor under any financial instruments entered into.

**23.3 Fair Values and Carrying Amounts of Financial Assets and Liabilities**

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the notes to and forming part of the Annual Financial Statements.

**23.4 Receivables**

Council's receivables are classified as Rates and Annual Charges, Self Supporting Loans and General Debtors. Rates and Annual Charges are charges that are considered as charges against the property and as such are considered being secured by the Property to which they relate. Council accounts for Self Supporting Loans as part of its current receivables as and when payments fall due, amounts due in future years are shown as non-current.

Self Supporting Loans shown as debtors represent the repayments of a loan that Council has drawn on behalf of a Community Group. Council's General Debtors include receivables for goods and services provided to members of the community, government departments and businesses. Council has exposure to credit risk in that debtors may not be able to meet their commitments to repay debts. Council reviews its outstanding debts regularly and commences a variety of recovery techniques in accordance with its Debt Recovery Procedures. Council reviews outstanding debts annually and provides a provision should debts become doubtful.

2014/15			2015/16	
Current	Non Current		Current	Non Current
\$	\$		\$	\$
710,965	57,702	Financial Assets	698,463	69,080
6,248	0	Rates and Annual Charges	0	0
1,228,636	0	Self Supporting Loans	93,265	0
<u>1,945,849</u>	<u>57,702</u>	General Debtors	<u>791,728</u>	<u>69,080</u>

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

2014/15		2015/16
%		%
	<b>Rates and Annual Charges</b>	
33%	-Current	55%
67%	-Overdue	45%
	<b>Other receivables</b>	
15%	-Current	15%
85%	-Overdue	85%





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

**23. FINANCIAL INSTRUMENTS (Continued)**

**23.5 Market Risk**

The Council invests funds that are not required immediately in Financial Instruments such as Term Deposits. The Council may be subject to interest rate risk in that future cash flows may fluctuate because of changes in market interest rate.

Actual 2014/15		Actual 2015/16
\$		\$
24,000	Impact of 1% Movement in Interest Rates on Investment Earnings (+/-)	30,200
59,999	Impact of 2.5% Movement in Interest Rates on Investment Earnings (+/-)	75,500

**23.6 Payables and 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.

The maturity analysis for Council's financial liabilities is detailed as follows;

	2014/15	Less than 1 year	1 to 5 years	Greater than 5 years	2015/16
	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>					
Accounts Payable - Current	442,212	527,722	0	0	527,722
Borrowings	2,298,296	205,200	1,168,660	1,372,915	2,746,775
	<b>2,740,508</b>	<b>732,922</b>	<b>1,168,660</b>	<b>1,372,915</b>	<b>3,274,497</b>

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

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Year Ended 30 June 2016</b>							
Debentures	0	0	0	0	0	2,746,775	2,746,775
Weighted Average - Interest Rate						4.96%	
<b>Year Ended 30 June 2015</b>							
Debentures	0	6,248	0	0	0	2,292,047	2,298,295
Weighted Average - Interest Rate		5.39%				4.96%	5.39%



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

**24. POSITION AT COMMENCEMENT OF FINANCIAL YEAR**

**24.1 DETERMINATION OF OPENING FUNDS**

ACTUAL 2014/15		Budget 2015/16	ACTUAL 2015/16
\$		\$	\$
	<b>Current Assets</b>		
508,880	Cash at Bank	327,642	1,048,641
1,887,277	Investments	1,723,450	1,967,543
3,800	Cash on Hand	3,800	3,800
1,945,850	Receivables	375,821	791,728
92,608	Stock on Hand	46,406	87,450
<b>4,438,415</b>		<b>2,477,119</b>	<b>3,899,162</b>
	<b>Less Current Liabilities</b>		
(442,212)	Accounts Payable	(628,156)	(527,722)
(615,135)	Accrued Leave	(636,462)	(701,396)
(149,876)	Current Loan Liability	(203,463)	(205,200)
<b>(1,207,223)</b>		<b>(1,468,081)</b>	<b>(1,434,318)</b>
<b>3,231,192</b>	<b>SURPLUS OF CURRENT ASSETS OVER CURRENT LIABILITIES</b>	<b>1,009,038</b>	<b>2,464,844</b>
	<b>ADJUSTMENTS</b>		
149,876	Add Current Loan Liability	203,463	205,200
(6,247)	Less Current Assets for Self Supporting Loan Repayments	0	0
(1,887,277)	Less Cash Backed Reserves	(1,723,450)	(1,967,543)
510,949	Add Leave Reserve	510,949	522,840
0	Restricted - Rates in Advance	0	(53,480)
<b>1,998,492</b>	<b>OPENING/CLOSING FUNDS</b>	<b>0</b>	<b>1,171,860</b>

**24.2 STATEMENT OF RECONCILIATION OF NET CURRENT ASSETS BROUGHT FORWARD**

In accordance with Financial Management Regulation 36(1)(b) the following reconciliation is provided between the Net Current Assets carried forward from the previous financial year, compared to the Net Current Assets detailed in the 2015/2016 Annual Budget.

Net Current Asset detailed in the 2015/16 Annual Budget	<u><u>1,241,474</u></u>
Net Current Assets Brought Forward as at 1st July 2015	<u><u>1,998,492</u></u>

The significant discrepancy between the budgeted carried forward surplus and the actual carried forward surplus related to 50% of the Financial Assistance Grants being received in the 2014/15 year.

**25. CAPITAL EXPENDITURE BY PROGRAM**

Actual Capital Expenditure incurred by Program is summarised as follows:

Program	2014/15 \$	Furniture and Equipment \$	Land and Buildings \$	Plant and Equipment \$	Roads \$	Recreation Facilities \$	2015/16 \$
Governance	168,785	5,236	14,647	115,246	0	0	135,129
Law, Order, Public Safety	44,019	0	0	35,223	0	0	35,223
Health	0	0	0	54,699	0	0	54,699
Education and Welfare	9,067	0	8,565	0	0	0	8,565
Community Amenities	6,380	0	20,727	0	0	0	20,727
Recreation and Culture	392,928	61,426	16,184	0	1,123	188,644	267,377
Transport	1,908,680	0	0	215,228	1,660,375	0	1,875,603
Economic Services	16,893	0	0	0	0	0	0
Other Property & Services	17,515	0	625,000	69,876	0	0	694,876
<b>TOTAL</b>	<b>2,564,267</b>	<b>66,662</b>	<b>685,123</b>	<b>490,272</b>	<b>1,661,498</b>	<b>188,644</b>	<b>3,092,199</b>



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

**26. FINANCIAL INFORMATION BY RATIO**

In accordance with Financial Management Regulation 50 the following Financial Information by Ratio is provided:

2013/14	2014/15		2015/16
3.22	3.36	(a) <b>Current Ratio</b> <u>current assets minus restricted current assets</u> current liabilities minus liabilities associated with restricted assets	1.87
0.53	0.43	(b) <b>Asset Sustainability Ratio</b> <u>capital renewal and replacement expenditure</u> depreciation expense	0.50
2.87	8.69	(c) <b>Debt Service Cover Ratio</b> <u>annual operating surplus before interest and depreciation</u> principal and interest	1.76
(0.23)	(0.06)	(d) <b>Operating Surplus Ratio</b> <u>operating revenue minus operating expense</u> own source operating revenue	(0.29)
0.69	0.70	(e) <b>Own Source Revenue Ratio</b> <u>own source operating revenue</u> operating expense	0.70

**ADDITIONAL RATIO INFORMATION**

The following information relates to those ratios which only require an attestation they have been checked and are supported by verifiable information.

0.74	0.86	(f) <b>Asset Consumption Ratio</b> <u>depreciated replacement cost of assets</u> current replacement cost of depreciated assets	0.85
0.84	0.75	(g) <b>Asset Renewal Funding Ratio</b> <u>NPV of planned capital renewals over 10 years</u> NPV of required capital expenditure over 10 years	0.48



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

**27. TRADE AND OTHER RECEIVABLES**

ACTUAL 2014/15		ACTUAL 2015/16
\$		\$
	<b>Current</b>	
748,571	Rates	698,463
23,390	LSL Due from Other Councils	32,402
396,929	Sundry Debtors	368,707
(12,420)	Less Provision for Impairment in Receivables	(342,814)
6,248	Long Term Loans-Interest Free & Self Supporting	0
754,001	Accrued Income	6,493
29,027	ESL Debtors	22,295
102	Pensioner Rebates	6,184
<b>1,945,849</b>		<b>791,728</b>
	<b>Non Current</b>	
57,702	Rates Outstanding - Pensioner Deferred	69,080
<b>57,702</b>		<b>69,080</b>

Deferred pensioners rates represent amounts owing by pensioners who have chosen to defer the payment of their rates in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.

**28. INVENTORIES**

ACTUAL 2014/15		ACTUAL 2015/16
\$		\$
<b>92,608</b>	Construction Materials, Fuels and Consumables	<b>87,450</b>

**29. TRADE AND OTHER PAYABLES**

ACTUAL 2014/15		ACTUAL 2015/16
\$		\$
338,261	Sundry Creditors	434,691
103,951	Other Payables	93,031
<b>442,212</b>	<b>Total</b>	<b>527,722</b>

**30. PROVISIONS**

ACTUAL 2014/15		ACTUAL 2015/16
\$		\$
	<b>Current</b>	
340,417	Provision for Annual Leave	338,908
201,018	Provision for Long Service Leave	278,528
52,944	Provision for Sick Leave	74,370
20,756	LSL Leave Owed To Other Local Governments	9,590
<b>615,135</b>		<b>701,396</b>
	<b>Non Current</b>	
68,241	Provision for Long Service Leave	38,117
<b>68,241</b>		<b>38,117</b>





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

**31. EMPLOYEE NUMBERS**

The following information is provided in relation to the number employees.

**No. of Employees**

2014/15	Total Number of Employees	2015/16
48	The number of full time equivalent employees at 30 June	42

**32. GRANT REVENUE**

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

ACTUAL 2014/15	By Nature/Type:	ACTUAL 2015/16
\$		\$
2,481,652	Operating Grants	935,573
1,066,744	Non-operating Grants	1,304,682
<b>3,548,396</b>	<b>Total</b>	<b>2,240,255</b>
2,186,474	General Purpose Funding	691,356
27,273	Governance	0
41,720	Law, Order and Public Safety	40,194
0	Community Amenities	10,000
272,565	Recreation and Culture	92,920
1,000,364	Transport	1,389,535
20,000	Economic Services	16,250
0	Other Property & Services	0
<b>3,548,396</b>		<b>2,240,255</b>

It should be noted the figure reported as Operating Grants, Subsidies and Contributions on the Statement of Comprehensive Income by Nature/Type includes \$321,878 of Subsidies and Contributions in addition to the Operating Grants.

**33. CONTINGENT LIABILITIES**

There were no contingent liabilities at the reporting date.

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

ACTUAL 2014/15	By Program:	ACTUAL 2015/16
\$		\$
1,565,100	General Purpose Funding	1,565,100
3,056,462	Governance	2,994,361
452,108	Law, Order, Public Safety	1,021,902
848,072	Health	814,826
2,390,038	Education and Welfare	2,361,351
0	Housing	0
561,781	Community Amenities	554,368
25,365,251	Recreation and Culture	25,540,789
94,643,265	Transport	95,123,073
97,284	Economic Services	111,518
2,293,190	Other Property and Services	2,298,487
6,240,467	Unallocated	5,758,340
<b>135,947,918</b>	<b>Total</b>	<b>138,144,115</b>

**35. EVENTS AFTER REPORTING PERIOD**

No events have occurred subsequent to the reporting date or are pending that would require adjustment to, or disclosure in, the financial report or amendments to significant assumptions used in the preparation of the accounting estimates.



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

**36. FAIR VALUE MEASUREMENTS**

Pursuant to Local Government (Financial Management) Regulation 17A(3) the Shire, as at 30 June 2016, has measured the following asset categories at fair value:

**Infrastructure**

**Roads**

In the case of roads a full road asset network valuation was undertaken by external consultants (Talis Consultants) in 2014. The fair value is determined as the Current Replacement Cost (CRC) less accumulated depreciation to reflect the already consumed or expired future economic benefits. This approach is consistent with AASB 116. The valuation for roads was generated from the RAMM Pavement Management System. The Shire had completed a full network condition summary and the external valuers have confirmed that there is a high level of confidence in the inventory data being relevant and of the condition data being a true representation of the current state. Also, unit rates used have been reviewed by the Shire and are considered accurate by the external valuer. Acquisitions in 2014/15 and 2015/16 were recorded at cost and a full asset network revaluation will be undertaken again in 2017.

**Drainage**

A review of the Shire's asset register was undertaken in-house by Council Staff to validate the detail contained for Drainage Infrastructure in 2013/14. A review of the values contained in the Asset Register revealed that the written down value as at the 30 June 2014 represents 0.5% of the total Infrastructure Assets. The book value reflects the fair value based on the current replacement cost less accumulated depreciation. Subsequent acquisitions were recorded at cost.

**Reserve - Plant & Equipment**

A review of the Shire's asset register was undertaken in-house by Council Staff to validate the detail contained for Plant & Equipment Infrastructure. A review of the values contained in the Asset Register revealed that the written down as at the 30 June 2014 represented 0.18% of the total Infrastructure Assets. The book value reflects the fair value based on the current replacement cost less accumulated depreciation. Subsequent acquisitions were recorded at cost.

**Reserve - Grasses**

A review of the Shire's asset register was undertaken in-house by Council Staff to validate the detail contained for Grass Reserves Infrastructure. A review of the values contained in the Asset Register revealed that the written down value as at the 30 June 2014 represented 0.1% of the total Infrastructure Assets. The book value reflects the fair value based on the current replacement cost less accumulated depreciation.

**Footpaths**

In the case of footpaths a full valuation was undertaken by external consultants in 2014. The fair value is determined as the Current Replacement Cost (CRC) less accumulated depreciation to reflect the already consumed or expired future economic benefits. This approach is consistent with AASB 116. The acquisitions for 2014/15 and 2015/16 were recorded at cost.

**Bridges**

In April 2015, Griffin Valuation Advisory were requested by the Shire of York to undertake a revaluation for financial reporting purposes for the period 30 June 2015. The values were incorporated in the Shire's asset register and financial records as fair values for bridges as at 30 June 2015. The acquisitions for 2015/16 were recorded at cost.

**Other Items of Infrastructure**

A review of the Shire's asset register was undertaken in-house by Council Staff in 2013/14 to validate the detail contained for Other Items of Infrastructure. A review of the values contained in the Asset Register revealed that the written down value for this category is minor. In order to determine a fair value for these items the ABS Road and Bridge Construction Index was applied to the historical cost less accumulated depreciation. In 2014/15 and 2015/16 the acquisitions were recorded at cost.

**Land and Buildings**

In 2015 Griffin Valuation Advisory undertook a valuation of the land, bridges, buildings and improved assets located in the Shire for insurance and financial reporting purposes based on replacement with new value and fair value. The fair values were incorporated in the 2014/15 financial statements. Acquisitions in 2015/16 were recorded at cost.

**Furniture and Equipment**

The office furniture and equipment currently on the Shire asset register was identified during the stocktake in 2015 plus additions for the current year and are replaced on a regular basis. The items held as at 30 June 2016 are not considered to have an actual and liquid secondhand market and are generally sold at auction without a reserve or discarded depending on their condition which is reflected in the residual value. Based on the above, the cost approach is deemed to be the most appropriate and a very conservative fair value measurement.





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

**36. FAIR VALUE MEASUREMENTS (Continued)**

**Plant and Equipment**

Howson Management visited the Shire of York in June 2016 to carry out a valuation of major plant items held by the Shire. All items of plant and equipment are stated at revalued amounts as required by AASB13, Level 2 inputs:

- Fair value was determined from the active market specific for each make and model, and condition.
- Quoted prices were for identical or similar assets
- Adjustments were made in regards to condition and location of each asset.

In addition to the revaluation of major items of plant, management also carried out a revaluation of minor items generally with a cost of \$15,000 or less and a stocktake of Plant and Equipment was undertaken as at 30 June 2016, resulting in non existing items, predominantly old items that had been fully depreciated or could not be found being written off and any item below the value of \$1000 threshold was removed from the asset register.

The Shire of York measures the following assets and liabilities on a recurring basis;

- Roads
- Drainage
- Parks/Reserves
- Bridges
- Footpaths
- Other Structures
- Furniture and Equipment
- Plant and Equipment
- Buildings
- Land

The Shire does not measure any other assets and liabilities at fair value on a non-recurring basis.

The following table provides the fair values of the Shire's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value heirarchy.

<b>Recurring Fair Value Measurements Non-Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>2015/16 Level 3</b>
Infrastructure	0	0	97,963,212
Plant & Equipment	0	2,649,311	0
Furniture & Equipment	0	0	299,327
Buildings	0	0	28,215,308
Land	0	0	4,985,450
<b>Total non-financial assets recognised at fair value on a recurring basis</b>	<b>0</b>	<b>2,649,311</b>	<b>131,463,297</b>

<b>Recurring Fair Value Measurements Non-Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>2014/15 Level 3</b>
Infrastructure	0	0	97,533,176
Plant & Equipment	0	0	2,015,796
Furniture & Equipment	0	0	307,380
Buildings	0	1,655,000	26,785,100
Land	0	3,360,000	1,360,450
<b>Total non-financial assets recognised at fair value on a recurring basis</b>	<b>0</b>	<b>5,015,000</b>	<b>128,001,902</b>

**Transfers Policy**

The Shire of York recognises transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year, however the revalued items of plant and equipment were transferred from Level 3 to Level 2 as measurements were based on observable inputs, either directly or indirectly. It was also deemed appropriate to transfer the value Land and Building values previously reported in Level 2 to Level 3 measurements.

**Highest and Best Use**

There were no assets valued where it was assumed that the highest and best use was other than their current use.



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

**36. FAIR VALUE MEASUREMENTS (Continued)**

**Valuation techniques and inputs used to derive fair values**

The following table summarises valuation inputs and techniques used to determine the fair value for each asset class.

Non-Financial Assets	Level of Valuation Input	Fair Value at 30/6/2016	Valuation Technique(s)	Inputs used
Infrastructure				
- Roads	3	82,713,837	Cost Approach	price per square metre
- Footpaths	3	1,216,855	Cost Approach	price per square metre
- Parks & Gardens	3	237,425	Cost Approach	price per square metre
- Drainage	3	505,536	Cost Approach	price per square metre
- Bridges	3	11,020,489	Cost Approach	price per square metre
- Other	3	2,269,070	Cost Approach	Price per square metre, estimates of residual value, useful life
Plant & Equipment	2	2,649,311	Market Approach	Make, size, year of manufacture and condition
Furniture & Equipment	3	299,327	Market Approach	Make, size, year of manufacture and condition
Buildings	3	28,215,308	Market Approach	Type of properties, whether market or non-market type or combination of both
Land	3	4,985,450	Market Approach	Type of properties, whether market or non-market type or combination of both
		<b>134,112,608</b>		

**Valuation processes**

The Council determines the fair value of the entity's assets on a regular basis either by engaging an internal management team or external, independent and qualified valuers.

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material, a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

**Relationship between asset consumption rating scale and the level of consumed service potential**

Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of the accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit. The consumption rating scales were based initially on the past experience of the consultants and industry guides and were then updated to take into account the experience and understanding of the Shire's own engineers, asset management and finance staff.

**Disclosed Fair Value Measurements**

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

**Borrowings**

The following table provides the level of fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Loans	2	Income approach using discounted cashflow methodology	Current treasury borrowing rates for similar instruments

**37. ECONOMIC DEPENDENCY**

A significant portion of revenue is received by way of grants from the State and Federal Government.





**7. QUESTIONS FROM MEMBERS WITHOUT NOTICE**

*Nil*

**8. NEXT MEETING**

To be advised

**9. CLOSURE**

*The Shire President thanked the Auditors for attending and closed the meeting at 2.26pm.*

