



Shire of
Katanning
Heart of the Great Southern

Annual Report
2015 – 2016



Heart of the Great Southern



This document is available in other formats on request for people with disability.

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Heart of the Great Southern

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President's Report

I am pleased to present to the community, the Shire of Katanning Annual Report for the 2015 - 2016 financial year. A warm welcome to all those of you that have chosen to make Katanning their home.

My term of President commenced in October 2015. I pay tribute to past President Alan McFarland. Alan served on Council for 18 years; we thank him for his service and commitment to Katanning.



Highlights for the year

- SERCUL review of Piesse Lake
- Workforce Review
- Probity and Procurement Audit
- Appointed Manager of Works
- Continue to liaise with Nigel Oakey from The Dome Group in relation to the Old Mill Development.
- Appointed Slavin Architects to the Early Childhood Hub Project
- Council moved to seek tenders for Design and Construction of the Administration and Civic Centre
- Tender for Addition to Katanning Leisure Centre – Gymnastics.
- Harmony Festival

Julian Murphy was appointed CEO and commenced at the Shire of Katanning late August 2015. Almost everyone agrees that Julian was faced with more challenges than your average Local Government. Julian has made significant inroads in developing a positive conversation with the community, his open and relaxed manner and willingness to meet with community groups has been appreciated by many of our residents. This achieved, he has been steadily working through other issues, as the Councillors Performance Review attested, Julian has had a heavy workload without a full complement of Executive staff – we acknowledge the challenges have been wide ranging. There is no doubt that the leadership our CEO has provided has created the positive change the community were looking - Thankyou Julian.

I take this opportunity to thank Deputy President Craig McKinley for your support in the 2015 - 2016 year. To Councillors, particularly those Councillors who are supporting the new leadership and drive for more accountability and community engagement – Thank you for your willingness to be involved in serving our community. I would also like to thank our residents, you have embraced and supported the new leadership team and assisted us to foster positive progress for our Community.

The staff at the Shire of Katanning are the backbone of the organisation and deliver the services to the community. The endeavour over the 2015 - 2016 year in workforce support and development has enabled the staff group to develop both skill and enthusiasm which has resulted in a more positive experience for both staff and community alike. Thank you to all staff, your efforts are very much appreciated.

Katanning has been very fortunate in receiving funding for much needed upgrades in infrastructure and amenity, I believe that Katanning has a great future and with informed planning, fiscal responsibility and community engagement we can strive for and achieve sustainability and vibrancy in the long term.

Cr Liz Guidera
President

Chief Executive Officer's Report

2015 - 2016 was a year of significant change for the Shire of Katanning including changes in leadership both with the CEO and Council.

I commenced in the role of CEO in August 2015 and spent a significant amount of time in the first three months getting to know the Shire and building relationships with community groups, stakeholders and our neighbouring local governments.

Council elections were held in October 2015 which saw three new Councillors elected as well as the election of new President and Deputy President. An extraordinary election was required in February 2016 to fill a further vacancy created by a resignation.

The Shire of Katanning Community Strategic Plan identifies the priorities and aspirations identified by the community through public consultation. The Shire continues to work towards the implementation of strategies outlined in the Plan, the progress of which is reported within this year's Annual Report.



A number of significant projects have been progressed throughout the year including:

- Katanning Early Childhood Hub
- Great Southern Roundabout Construction
- Clive Street Upgrade
- Piesse Lake Development
- Lake Ewlyamartup Boat Ramp and Facilities
- Katanning Hotel Restoration

The Shire of Katanning has been successful in attracting significant funding through the Royalties for Regions – Growing Our South initiative of \$15.7M and Lotterywest of \$2M for the Katanning Heritage Centre project to continue upgrades to facilities in Katanning in the Welcome precinct and at Piesse Lake.

Council also approved the transfer of the Old Katanning Flour Mill to Dome Coffees Australia to facilitate the development of a new hotel and Dome café; the first of its type in Western Australia.

During 2015 - 2016 I undertook a review of the organisation's workforce and worked with the Department of Local Government to undertake a Probity Audit of the Shire's procurement and purchasing procedures. The resulting recommendations of both processes have largely been implemented with the aim of improving the Shire's policies, practices and procedures.

The Shire has worked towards improving the way it engages with the community and be transparent and accountable in the way it operates. To achieve this, the Shire engages with the community on a number of levels including the use of social media. Information on Shire activities is distributed through the Shire Matters Newsletter, Website and Facebook page.

I would like to thank the Katanning Community for the open and friendly welcome that was provided to me on starting in the job and express my appreciation to the Council and the Staff for the support they have provided over the past year.

Julian Murphy
Chief Executive Officer

Katanning in Brief

The Shire of Katanning is located in the Upper Great Southern Region of Western Australia three hours drive south east of Perth.

Katanning is a vibrant country community founded on rural industries.

Katanning provides a range of services to meet the community's needs including education, health, recreation facilities and affordable land and housing.

Shire of Katanning Statistics	
Distance from Perth	283km
Area	1,523 sq km
Length of Sealed Roads	255.1km
Length of Unsealed Roads	528.6km
Population	4,428
Number of Electors	2,419
Number of Dwellings	2,141
Total Rates Levied	3,165,208
Total Revenue	16,085,565
Number of Employees	64 FTE

Councillors



Cr Liz Guidera
Shire President

Ph: 0418 926 218
Term expires 2019



Cr Craig McKinley
Deputy Shire President

Ph: 0423 128 069
Term expires 2017



Cr Owen Boxall

Ph: 0428 899 024
Term expires 2017



Cr John Goodheart

Ph: 0407 193 118
Term expires 2019



Cr Richard Kowald

Ph: 0427 969 926
Term expires 2017



Cr Danny McGrath

Ph: 0427 876 117
Term expires 2017



Cr Alep Mydie

Ph: 0487 182 144
Term expires 2017



Cr Serena Sandwell

Ph: 0428 887 246
Term expires 2019



**Cr Martin Van
Koldenhoven**

Ph: 9821 1695
Term expires 2019

Executive Management Team



**Julian Murphy
Chief Executive Officer**

Governance
Community Relations
Human Resources
OSH and Risk



Andrew Holden
Deputy Chief Executive Officer

Corporate Services
Finance and Rates
Customer Service and Administration
Information Technology



Uwe Striepe
Director Engineering and Development

Engineering
Public Works
Ranger Services
Parks and Gardens
Building Control, Environmental Health and Planning Services



Sam Davis
Executive Manager Projects and Community Building

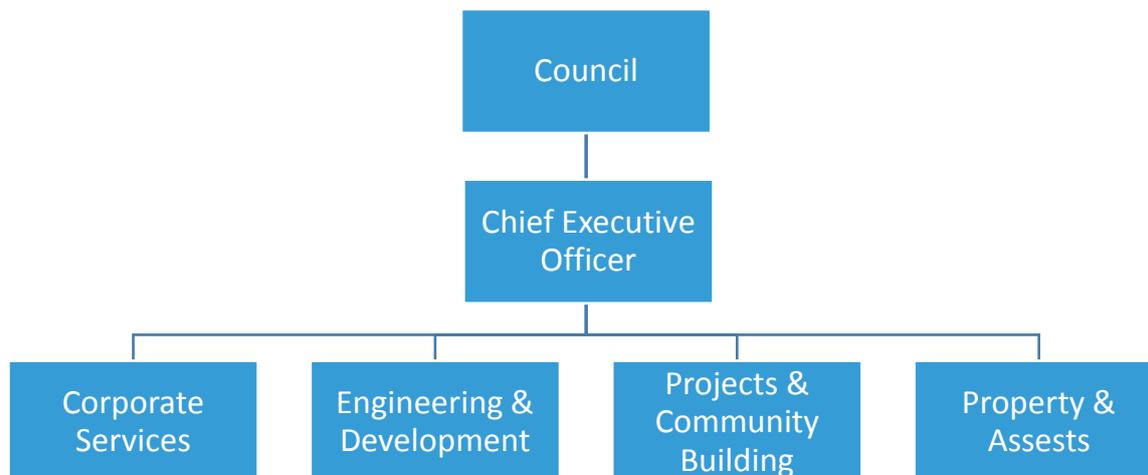
Strategic Planning
Community Development
Leisure Centre
Library and Art Gallery
Aquatic Centre



Andrus Budrikis
Executive Manager Property and Assets

Building Maintenance
Infrastructure Management
Saleyards
Asset Management

Organisational Structure

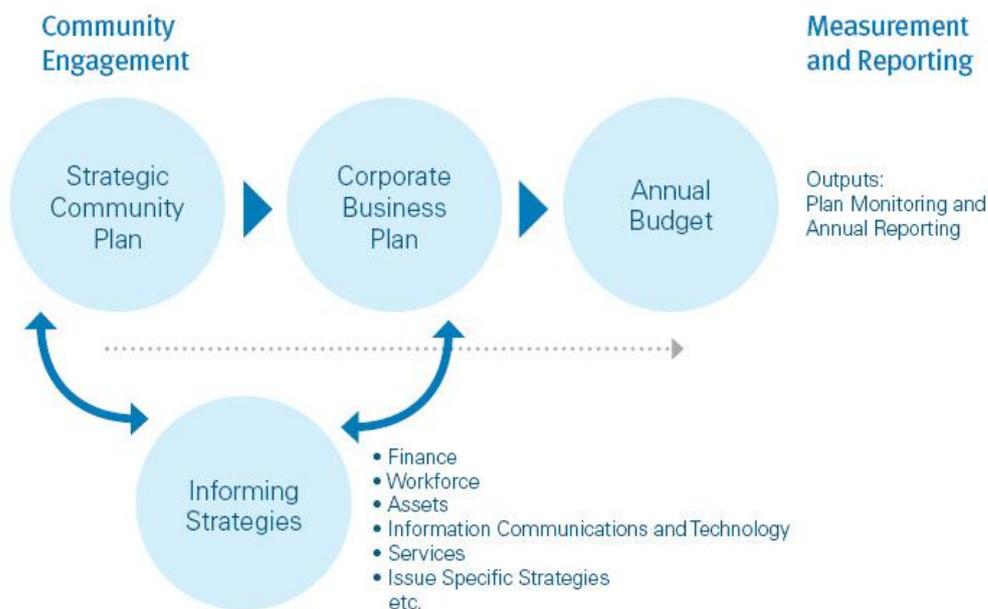


Strategic Community Plan

In 2010, the Western Australian State Government introduced legislation requiring Local Governments to prepare an Integrated Planning and Reporting (IPR) Framework by June 2013. Integrated planning ensures that Councils Strategic Plan reflect the community aspirations, visions, and priorities of the district.

The Shire consulted widely with the community to produce the Strategic Community Plan and other plans within the IPR Framework.

The diagram below highlights the components of the framework:



Elements of Integrated Planning and Reporting Framework

In accordance with the legislation and following extensive community input, Council adopted its Strategic Community plan in February 2013.

The plan is Council’s principal planning and strategy document, which means that it governs all of the work that the Shire undertakes, either through direct services delivery, partnership arrangements, or advocacy on behalf of the community.

In accordance with the legislations, Council is required to report to the community annually its progress towards achieving the objectives.

Strategic Community Plan 2015-2016 – Progress

Our Vision

“Together, We’re Building Katanning’s Future”

In partnership with Council the community has developed a clear and powerful vision to build the future of Katanning based on an evolution of growth and progression. By mid 2023 the Shire of Katanning will;

Achieve a population of 15,000 by embracing its aboriginal, agricultural, multicultural and built heritage as it moves forward as a cohesive community seeking investment in economic, environmental and social infrastructure. Our aim is to achieve self supporting growth and recognition as the inland heart of the Great Southern.

Key Focus element one: Community and Culture

1. Improve lifestyle

	Activity	Key elements
1.1	Community Space	Prepare a structure plan around Piesse Park incorporating open space upgrades. Status: Public consultation executed, Katanning SuperTown Heritage Centre Project \$15.7 million funding announced and Master Plan drafted by Sercul.
		Produce medium density housing around Piesse Park with an 'urban living in the country' theme. Status: Draft LPS5 published.
		Develop guidelines and planning requirements to deliver significant shade to car parking areas. Status: Not yet started.
		Engage with LandCorp and the Department of Housing for the timely delivery of lots and housing to the market. Status: Katanning SuperTown Heritage Centre Project
		Pursue quality affordable housing for Local and State Government transient employees. Status: GSDC Affordable Housing Project.
1.2	Options for specific needs	Provide a range of affordable housing that accommodates young adults within and around the town centre. Status: GSDC Affordable Housing Project.
		Identify a suitable location for a future senior citizens centre. Status: Ongoing- studies developed.
		Provide for a lifestyle village at Thompson Park and/or

		Kobeelya. Status: Thompson Park under consideration.
		Provide a range of housing that accommodates the aged within and around the town centre. Status: Business Case developed.
1.3	Safety and security	Plan for indigenous police officer recruitment or a local indigenous community patrol. Status: Subject to WA Police resourcing.

2. Expand Health

	Activity	Key elements
2.1	Medical facilities	Establish a growth strategy for the regional hospital and other public services. Status: Facilitated new GP.
2.2	Community justice	Encourage the development of a human services hub. Status: Involved with the Great Southern Housing Plan and Workforce Development Plan.
2.3	Community health	Identify the extent of land required and develop a Regional Health Campus. Status: Upgrades to Katanning Hospital commenced.
		Consolidate health services and practices within the vicinity of the Regional Health Campus. Status: Ongoing
		Create an early childhood hub for the region. Status: FAA Signed \$5.7million. Slavin Architects appointed May 2016.
2.4	Community education	Katanning High School to be recognised and promoted for excellence. Status: Ongoing.
		Develop improved early childhood and 'in school' education opportunities for 'at risk' groups. Status: Funding approved for development of Early Childhood Hub.
		Encourage the establishment of a private boarding school. Status: In discussion with Katanning Middle School Committee.
		Encourage expansion of TAFE to embrace the Centre of Agricultural and Engineering Excellence. Status: Major input to Katanning Workforce Plan 2015-2018.
		Develop mentorship programs to expose youth to the career and lifestyle options available in a rural setting. Status: Traineeships offered at the Library and Shire Administration. Work experience at the Shire offered through the High School.

3. Develop Cultural Diversity

	Activity	Key elements
3.1	Community markets	Investigate the possibility of a local produce market being located at the railway station. Status: Under review.
		Develop community markets with a multicultural flavour. Status: Under review.

3.2	Cultural recognition	Compile and integrate a collection of local art works and records into local Noongar facilities. Status: Under review.
		Upgrade landscaping and include interpretative signage and art in park adjacent to current Noongar Centre. Status: MAEEP report to State Government in 2015.
		Identify culturally significant sites and encourage Noongar representatives to monitor operations that involve digging in these areas. Status: Under review.
3.3	Involvement equality	Develop and adopt a policy on community engagement and social media. Status: Working progress.
		Provide a mechanism to embrace and encourage entrepreneurship in the ethnic community. Status: Harmony Festival has been used as a conduit to support local members of the community to experience catering. A pilot project is being developed for 2017 to support locals to offer craft and food.
		Upgrade the Centrelink agency in town to a full time central office with staff specialised in migrant user groups. Status: Under review.

Key Focus element two: Environment and Land Use

4. Strategise Water Management

	Activity	Key elements
4.1	Groundwater	Upgrade culverts on rural roads. Status: Ongoing.
4.2	Storm and waste water	Prepare drainage and flood strategy for the Katanning town site. Status: Completed, needs to be revised.
		Prepare a drainage plan for Clive Street and Austral Terrace. Status: Not yet started.
		Upgrade pedestrian crossings to meet AS1428 and to limit risk to public safety during peak flow events. Status: Not yet started.
4.3	Natural waterways	Continue the Living Streams project along the Katanning Creek. Status: Under consideration as part of the Katanning SuperTown Heritage Centre Project.
4.4	Water Supply	Undertake a Water Balance Study and Water Management Study for the town and its catchment, and proceed with costed and sound recommendations. Status: A strategic water management plan was completed. Costed recommendations not yet completed. A project proposal was developed with the Shire of Kojonup to seek funding.

5. Increase Climate and Ecology Footprint

	Activity	Key elements
5.1	Use of native flora and fauna	Undertake strategic planting of native vegetation along waterways and road reserves.

		<p>Status: Under review.</p>
		<p>Develop a Street Tree and Parkland Replacement Master Plan incorporating locally occurring tree species.</p> <p>Status: Under review.</p>
		<p>Compile a comprehensive register of local bush tucker plant species to be incorporated into revegetation works around the town site and develop interpretative signage for these plantings with local indigenous artists.</p> <p>Status: Under review.</p>
		<p>Develop policies on using locally native species in Public Open Space areas, streetscapes and as part of any future landscaping packages within front gardens.</p> <p>Status: Under review.</p>
5.2	Carbon reduction	<p>Develop policies for the Shire to reduce its carbon emissions through practical means.</p> <p>Status: Design of new Shire Administration office incorporates energy efficiency. Incorporation of Solar panels at the Saleyards and Staff Housing.</p>
		<p>Develop all new Shire buildings on solar passive and energy efficient principles.</p> <p>Status: Early Childhood Hub and new Shire Administration office will feature passive energy systems. Incorporation of Solar panels at the Saleyards and Staff Housing.</p>
		<p>Encourage existing and new businesses with assistance to undertake water and energy assessments.</p> <p>Status: Under review.</p>
		<p>Encourage small scale power generation on individual lots.</p> <p>Status: Under review.</p>
		<p>Develop policies for sustainable building and development for all residential and commercial construction, and for all builders operating in the Shire to support recycling, reuse and to be HIA Green Smart accredited.</p> <p>Status: Under review.</p>
		<p>Subject to demonstrated viability studies construct a biomass plant that uses locally contracted feedstock.</p> <p>Status: Discussions underway.</p>
5.3	Natural resource protection	<p>Continue the strategic Landcare plantings within the Shire.</p> <p>Status: Ongoing.</p>
		<p>Implement a policy for verge planting with a focus on appropriate native species.</p> <p>Status: Under review.</p>
		<p>Provide awareness raising information in sustainable living/building to existing & new residential residents & businesses.</p> <p>Status: Inkind and financial support for Landcare in their annual Eco Week event.</p>
		<p>Support the restoration of Lake Ewlyamartup.</p> <p>Status: Grant received.</p>
5.4	Biodiversity strategies	<p>Provide awareness raising information and training in sustainable farming practices to small rural holders.</p> <p>Status: Landcare.</p>

	<p>Retain where possible all key bush areas within the town and on the edge to assist with water management, habitat and ecology and developing a unique sense of place. Status: Ongoing.</p>
	<p>Investigate the commercialisation of native foods and other products that builds on previous studies and assist primary producers produce commercialised native products and develop robust markets. Status: Ongoing.</p>
	<p>Investigate the feasibility of establishing a Centre for Agricultural and Engineering Excellence with the intention to improving the sustainability and profitability across all aspects of the existing agriculture sector. Status: Katanning Workforce Development Plan 2015 – 2018. Land surrounding the Katanning Leisure Centre has been investigated for agricultural uses.</p>

6. Develop Land Use

	Activity	Key elements
6.1	A focus on safety and security	<p>Extend the Town's security surveillance coverage. Status: CCTV upgrade grant submitted.</p>
6.2	Flexible land use planning	<p>Establish a minimal hierarchy of plans required to facilitate development. Status: New Planning Scheme drafted and advertised. LPS5 is minimalist and includes Deemed Provisions.</p> <p>Support the infill of urban blocks to avoid urban sprawl. Status: Residential Density Codings increased under LPS5.</p> <p>Introduce urban expansion areas for residential and industrial development and review density coding in underdeveloped areas to achieve the maximum benefit from future development. Status: DIAs identified in Planning Strategy and shown as Future Urban or Future Industry in LPS5. Residential Density Codings reviewed and increased in LPS5.</p> <p>Promote the natural transition of service industry uses out of the town centre to an expanded Light Industrial Area. Status: Draft LPS5 includes 'new' Enterprise zone and combined Town Centre-Commercial zone.</p> <p>Promote residential expansion in the N and NE corridors and special residential expansion in the southwest corridor. Status: DIAs identified in Local Planning Strategy.</p> <p>Laneways may be retained/redeveloped with grouped housing or maintain the existing local character on a street by street basis. Status: Ongoing.</p>
6.3	Structure plans for new areas	<p>Prepare a Structure Plan for the residential area bounded by Warren Road and Katanning Dumbleyung Road to consolidate lots, formalise the multiple use corridor and provide a more appropriate transition to future residential development areas. Status: Priority Structure Plan developed and advertised.</p>

		<p>Prepare a Structure Plan for Clive Street between the main street precinct and Piesse Park to provide a higher density residential and mixed use transition from the main street to the medium density precincts. Status: Not yet started.</p>
		<p>Prepare a Structure Plan for the Crosby Street and Clive Street area to encourage consolidation and resolve access issues to the highway and provide an attractive interface to the entrance to the town. Status: Not yet started.</p>
		<p>Prepare a Structure Plan for the O’Callaghan Park area to facilitate development of the mining construction camp and to facilitate the future transition of the area to other uses post mine construction. Status: Technical and background documents prepared (including Flora Assessment).</p>
		<p>Prepare a Structure Plan for the eastern industrial expansion to facilitate a range of industrial initiatives. Status: Structure Plan prepared – land swap with DAFWA being progressed. Awaiting approval.</p>
6.4	Heritage protection strategies	<p>Prepare a local planning policy to create a Heritage Precinct along Austral Terrace and pursue upgrading of heritage buildings and streetscapes. Status: Strategy and Scheme Objectives apply to ensure sensitive development and upgrade. Austral Terrace, between the Roller Flour Mill and King George Hotel is within an identified Heritage Precinct – Place number 1338. Policy 9.13 established for Clive Street and Austral Terrace Revitalisation Front Facade Incentive.</p>
		<p>Identify suitable uses for the railway buildings and appropriate landscaping. Status: Ongoing.</p>
		<p>Develop painting, character and signage policies sympathetic to the age and character of historic buildings. Status: Under review.</p>

Key Focus element three: Facilities and Services

7. Pursue Facility Development

	Activity	Key elements
7.1	Town Hall improvements	<p>Upgrading and adaption of the town hall as a regional entertainment centre. Status: New kitchen and bar almost complete. Ongoing.</p>
7.2	Sports facility consolidation	<p>Identify incentives for the Bowling Club to relocate to the Country Club or Leisure Centre. Status: Continuing to encourage co-location also part of Piesse Lake Structure Plan and approved for Katanning SuperTown Heritage Centre Project funding.</p>
7.3	Recreation improvements	<p>Expand Leisure Centre to accommodate gymnastics and additional multifunctional spaces. Status: Construction expected to commence late 2016.</p>

7.4	New facilities	Identify a suitable site for a Motorplex. Status: Site Identified.
		Utilise the Unit Hotel and surrounding land as a new Administration Centre. Status: Renovation Unit Hotel underway. Expected to finish end of 2016.
		Pursue additional recreational activities and facilities at Lake Ewlyamartup. Status: Facilities upgrade expected to be finished August 2016.

8. Maintain Transport Systems

	Activity	Key elements
8.1	Freight routes and road linkage	Create dedicated transport links between the heavy industry area and regional transport routes. Status: Ongoing.
		Review intersection layouts and turn lanes to reinforce Marmion Street as the freight route. Status: Under review.
		Consider the connectivity of Warren Road to the regional sale yards by creation of a new east skirting link. Status: Not yet started.
		Create integrated car parking areas with direct access to the street rather than rely on individual developers. Status: New extensive parking created behind the Town Square and SportsPower complex.
8.2	Pedestrian routes	Incorporate safe and efficient pedestrian routes throughout existing and future residential areas. Status: Ongoing.
8.3	Cycleways	Incorporate safe and efficient cycle routes throughout existing and future residential areas. Status: Ongoing.

9. Develop Waste Management

	Activity	Key elements
9.1	Regional waste facility	Develop Katanning to be a Regional Waste Management Facility servicing the Central Great Southern Region. Status: Ongoing and underway.
9.2	Recycling programs	Establish a building materials re-use depot at the Regional Waste Management Facility. Status: Not yet started.
9.3	Waste minimisation	Incorporate extensive recycling and reuse as part of the expanded waste management program including developing new products and business based on the waste streams. Status: Ongoing.
9.4	Waste re-use programs	Link waste streams from the Regional Waste Management Facility with other wastes to produce composts, garden fertilisers and agricultural products. Status: Not yet started.

Key Focus element four: Leadership and Development

10. Pursue Economic Development

	Activity	Key elements
10.1	Industrial development	Monitor the availability of power and water supplies to service potential industrial users. Status: Ongoing.
		Promote the Katanning gas pipeline route option for the Bunbury to Albany pipeline. Status: Under review.
		Identify and compile sufficient land to accommodate new services and business opportunities. Status: Ongoing. LPS5 identifies new “Enterprise” zone and Industrial Precincts. Investigate/pursue disposal of former saleyards.
		Conduct a feasibility study into a dedicated food processing precinct. Status: Ongoing.
		Establish a heavy industrial precinct to accommodate businesses servicing the mining and agricultural sectors. Status: LPS5 has designated Industrial Precincts; Structure Plans prepared.
		Identify, and protect from competing uses, land for future expansion of the Light Industrial Area. Status: Priority Structure Plan for DAFWA land swap.
		Locate a transformational construction camp in O’Callaghan Park. Status: Subject land designated in LPS5, preliminary technical and background assessments prepared.
10.2	Economic initiatives	Pursue the development of a Business Case for a Call Centre, Date Storage Centre, ISP or other digital economic initiatives. Status: Not yet started.
		Promote Katanning’s capacity to accommodate businesses that benefit from the Fibre Optic Hub. Status: Ongoing.
		Promote establishing of an Economic Development Officer, business advice centre and business incubator. Status: Ongoing refurbishment of the Unit Hotel to accommodate KRBA and possible business incubator.
		Establish a working party to work closely with the Western Australian Meat Marketing CoOperative to identify and plan for future expansion. Status: Ongoing.
		Build a business case to develop an agrifood precinct that takes into account linkages with the Western Australian Meat Marketing Co-Operative. Status: Ongoing.
		Pursue a Memorandum of Understanding with Ausgold in respect to workforce accommodation, integration and local procurement. Status: Not yet started.

		<p>Pursue a land swap of the Curlew precinct with O'Callaghan Park. Status: Ongoing liaison with Department of Lands. Valuation obtained. Reflected in LPS5.</p>
		<p>Locate an agrifood precinct in a location that takes into account the location and linkages to the Western Australian Meat Marketing Co-Operative. Status: Structure plans prepared for Henry Street and Eastern Industrial Precincts, with opportunities for co-location and Agrifoods.</p>
10.3	CBD revitalisation	<p>Assemble land to accommodate parking, major retailers and government offices in the town centre. Status: Ongoing. Completion of parking at rear of Town Square and Sports Power.</p>
		<p>Encourage major retailers to locate adjacent to the Main street. Status: Ongoing.</p>
		<p>Refresh the retail environment and make the shopping experience more enjoyable. Status: Ongoing. Streetscape project and facade subsidy.</p>
		<p>Pursue activation of the upper levels of buildings to give an added dimension to land use. Status: Ongoing.</p>
		<p>Adhere to retail development within a clearly defined town centre boundary. Status: Ongoing and in accordance with TPS4 and LPS5.</p>
10.4	Higher density residential	<p>Utilise bowling club land for medium density housing if club relocated. Status: Ongoing conferral, LPS5 designates land as Special Site. Katanning SuperTown Heritage Centre Project funding approved that incorporates residential development of the land.</p>
		<p>Promote R40 medium density housing opportunities on land affording views of Piesse Park. Status: LPS5 designates Piesse Lake as R40. Structure Plan prepared and advertised. Katanning SuperTown Heritage Centre Project funding includes the development of land adjacent to Piesse Lake.</p>
		<p>Encourage redevelopment of Department of Housing lots on Synott Ave for medium density housing. Status: Last development built by the Department was of higher density consistent with lots across Synott Ave.</p>
		<p>Encourage the progressive consolidation and redevelopment of defined areas close to town and Piesse Park. Status: Development of Structure Plans commenced.</p>

11. Pursue Community Development

	Activity	Key elements
11.1	Tourism and promotion	<p>Undertake economic modelling on the feasibility of land subdivision and subsidised servicing of residential lots. Status: Katanning SuperTown Heritage Centre Project</p>

		<p>funding partly develops residential lots.</p> <p>Develop a Tourism and Marketing Strategy and a Market Prospectus outlining economic and social opportunities. Status: Under review.</p> <p>Pursue opportunities to install sculptural iconic elements and an interpretive trail. Status: Not yet commenced.</p> <p>Create roundabouts, entry statements and enhance the tree lined avenue on Great Southern Highway. Status: Great Southern Highway roundabout construction commenced.</p> <p>Develop a market feasibility to increase the supply of short stay accommodation. Status: Premier Flour Mill Hotel in the Old Mill encouraged by Council support and the Great Southern Project.</p>
11.2	Participation and engagement	<p>Establish a local content taskforce to act as mediator with Ausgold and other businesses. Status: Not yet started.</p> <p>Establish a Community Development working group and a Community Development Officer position. Status: Ongoing.</p> <p>Undertake an audit of skills and experience of the Shire's extensive migrant population. Status: Planning underway for Asset Mapping.</p> <p>Pursue quality affordable housing for Local and State Government transient employees. Status: Great Southern Housing Project.</p>
11.3	Image and esteem	<p>Forge partnerships between key industries and local businesses to ensure their future in the town. Status: Forge partnerships.</p> <p>Create a Place Manager/Town Centre Manager position to maintain a vibrant and vital business mix. Status: Not yet started.</p> <p>Create visual landscape linkages from the Main Street to Great Southern Highway and Piesse Park. Status: KAN Flag Project and roundabout</p> <p>Enhance built form to town entries through high quality infill development and design guidelines. Status: FAA Grant and Lotteries</p> <p>Work closely with community groups and allow them ownership of projects and ideas. Status: Ongoing. New group Katanning Action Network and their Flag Project idea.</p>
11.4	Regional profile	<p>Promote the creation of a Centre for Agriculture and Engineering Excellence, including the Western Australian Meat Marketing Co-Operative. Status: Structure Plans prepared for Henry Street and Eastern Industrial Precincts, with focus on Agri Business and opportunities for value-adding. Katanning Workforce Development Plan 2015 – 2018.</p>

		Investigate ways in which Katanning can become a centre for carbon management. Status: Under review.
		Build a business case for the development of a detention centre, prison and/or a migrant transition centre. Status: Business case for migrant transition centre completed.

12. Lead in Governance

	Activity	Key elements
12.1	Accountability	Maximise technology to improve customer service across the organisation. Status: Moved to Synergy Records Management and discussion underway for IT to move to Cloud based.
12.2	Legal and ethical compliance	Integrate risk management practices within project, strategic and operational processes. Status: Ongoing.
12.3	Business capacity	Plan for redevelopment of the current Shire of Katanning Administration Office by 2015. Status: Architect tender advertised.
		Prepare and implement a Business Continuity Plan. Status: Ongoing.
		Prepare and implement an Information Management Disaster Recovery Plan. Status: Ongoing.
12.4	Structural change	Pursue resource sharing opportunities with neighbouring Shires. Status: Ongoing.

Major Projects Snapshot



Outdoor Gym



Bus Shelter and TransWA



Early Childhood Hub



RV Friendly Town Status



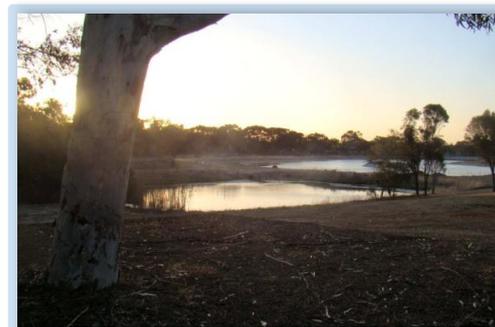
\$15.72 million Katanning SuperTowns Heritage Centre Project Funding Announcement



\$2 million Welcome Precinct and Piesse Lake Development Funding Announcement



Fly Your Flag



Piesse Lake Development

Compliance

National Competition Policy

This policy was introduced by the Commonwealth Government in 1995 to promote competition for the benefit of business, consumers and the economy by removing unnecessary protection of monopolies of markets where competition can be enhanced. It effects local governments as factors such as exemption from company and income tax or possible local regulations and laws may give local government a potential advantage over private contractors.

In respect to Council's responsibilities in relation to the National Competition Policy the Shire reports as follows:

- No business enterprise of the Shire of Katanning has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or a Public Financial Enterprise.
- Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.
- No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.
- The principles of competitive neutrality will be implemented in respect of any relevant activity undertaken during the next financial reporting period.

Freedom of Information

In complying with the *Freedom of Information Act 1992*, the Shire of Katanning is required to prepare and publish an information statement.

The Shire of Katanning's Information Statement is reviewed annually and is available via Council's website or at the Shire administration office. The information statement contains information on the type of documents available to the public and how to access those documents.

Nil enquiries were received during the 2015-2016 period.

State Records Act

The *State Records Act 2000* requires the Shire maintains and disposes of all records in the prescribed manner.

Principle 6 – Compliance: Government Organisations ensure their employees comply with the record keeping plan.

Rationale: An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The record keeping plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's record keeping system is evaluated not less than once every 5 years.
2. The organisation conducts a record keeping training program.
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time.

4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

The Shire has complied with items 1 to 4.

Disability Access and Inclusion Plan

All Western Australian Local Government Authorities are required to develop and implement Disability Access and Inclusion Plans in accordance with the Disability Services Act (1993) to ensure people with disability have the same opportunity as others to access council services, facilities, information, employment and civic participation. The Shire of Katanning offers many services that ensure the community is inclusive of people with disability and their families.

People with disabilities represent a significant section of the Katanning community. According to the Disability Services Commission (Disability Services Commission website, 2004) the number of people living in the Shire of Katanning who have a disability is 17.8% of the total population. This represents almost one in five people or approximately 900 people. Given that Katanning is also a regional service provider for the Shires of Broomehill, Woodanilling, Dumbleyung, Kojonup, Gnowangerup and Kent it can be estimated that the number of people with Disabilities for who the Shire of Katanning provides services and facilities is significantly higher than 1000.

The vast majority of people with a disability (or disabilities) live in the community. It is therefore important that they have the same opportunities and choices as other people to participate in community life.

Given the broad range of services provided to its communities, Local Government plays a vital role in the lives of people with disabilities, their carers and families.

In 2015-2016 the following Shire initiatives contributed towards the achievement of the DAIP outcomes:

- Two new unisex disabled access toilets were constructed next to the Town Hall. This location is central to all the primary shopping locations in Katanning as well as banks, the Shire offices and other community resources. These two facilities replace a public toilet that did not have disabled access.
- The Shire applied for and was successful in obtaining grant funding for a Changing Places Restroom. The restroom will be a secure, clean environment containing specialised facilities such as a hoist, adult change table, an automatic door and also space for two people, to be used by people with a disability and carers.
- There are two Disabled Parking Bays currently in the CBD: one in Daping St and one in Richardson St, with plans for two disabled parking bays to be in place behind the Town Square in the near future.
- The Shire of Katanning financially supported the development of a community garden at the Community Resource Centre. The garden is an all accessible space where fruit, vegetables and flowers are grown but also has a range of interesting and engaging projects such as aquaponics and garden sculpture.
- Accessibility has been a primary focus for the Shire in regard to people with a disability in the 2015-2016 year. Although it is something that has always been considered for the Shire events, programs or community consultations in the last year accessibility was highlighted as an issue to pay particular attention to. This was to ensure that all events/programs catered for people with a range of disabilities.
- The Shire has also had the main entrance door to the Administration Building repaired and up graded to a quicker and smoother opening double door access. This allows a better level of access for all members of the community, particularly mobility impaired persons.

Employee Remuneration Disclosure

Regulation 19B of the *Local Government (Administration) Regulation 1996* requires the Shire to include the following information in its Annual Report:

- The number of employees of the Shire entitled to an annual salary of \$100,000 or more; and
- The number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

Salary Range		
\$ From	\$ To	Number of Employees
100,000	109,999	
110,000	119,999	
120,000	129,999	
130,000	139,999	5
140,000	149,999	
150,000	159,999	
160,000	169,999	1
Total		6

Public Interest Disclosures

The Public Interest Disclosures Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken. The Chief Executive Officer has complied with all obligations under the Act including:

Appointing the Deputy Chief Executive Officer as the PID officer for the organisation and publishing an internal procedure relating to the Shire's obligation.

Providing protection from detrimental action or the threat of detrimental action for an employee of the Shire who makes an appropriate disclosure of public interest information.

Complaints Register

Section 5.121 of the *Local Government Act 1995* requires the Annual Report to contain details of the entries made in the Complaints Register regarding complaints made about elected members.

Nil complaints were lodged against elected members during the 2015-2016 period.

Achievements and Awards

- Winner Local Government Children's Environment and Health Awards: Smoke Free Environment Category
- Carrolup Centenary and Exhibition Launch at the Gallery and Town Hall
- Dome Cafe renovation of the Flour Mill commenced
- ABC program BackRoads filmed
- Piesse Statue 100th Birthday

Annual Financial Report
2015 – 2016



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

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Principal place of business:
16-24 Austral Terrace
Katanning WA 6317

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the *30th* day of *MARCH* 2017



Julian P. Murphy
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	3,434,226	3,433,320	3,165,208
Operating grants, subsidies and contributions	30	1,696,947	1,998,289	4,124,974
Fees and charges	29	1,983,817	1,981,951	1,810,338
Interest earnings	2(a)	395,944	317,607	424,493
Other revenue	2(a)	336,494	237,456	217,539
		<u>7,847,428</u>	<u>7,968,623</u>	<u>9,742,552</u>
Expenses				
Employee costs		(4,361,862)	(3,427,237)	(3,797,677)
Materials and contracts		(1,886,446)	(2,891,037)	(1,904,772)
Utility charges		(376,029)	(391,077)	(354,137)
Depreciation on non-current assets	2(a)	(3,179,636)	(2,118,664)	(2,082,746)
Interest expenses	2(a)	(17,059)	(16,565)	(36,424)
Insurance expenses		(261,156)	(263,665)	(225,243)
Other expenditure		(284,850)	(211,541)	(392,138)
		<u>(10,367,038)</u>	<u>(9,319,786)</u>	<u>(8,793,137)</u>
		(2,519,610)	(1,351,163)	949,415
Non-operating grants, subsidies and contributions	30	5,105,625	13,894,955	6,304,555
Profit on asset disposals	21	229,841	829,570	38,458
(Loss) on asset disposals	21	0	(438,155)	(59,096)
Fair value adjustments to financial assets at fair value through profit or loss		(10,388)	0	0
Net result		<u>2,805,468</u>	<u>12,935,207</u>	<u>7,233,332</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	813,887	0	54,525,082
Units in Local Government House Trust		0	0	(187,474)
Initial Recognition of Vested Land		0	0	515,000
Total other comprehensive income		<u>813,887</u>	<u>0</u>	<u>54,852,608</u>
Total comprehensive income		<u><u>3,619,355</u></u>	<u><u>12,935,207</u></u>	<u><u>62,085,940</u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		830,113	73,210	233,063
General purpose funding		4,138,458	4,765,372	6,815,096
Law, order, public safety		171,959	181,899	173,659
Health		3,215	4,950	4,719
Education and welfare		98,537	96,658	86,075
Housing		208,643	210,995	169,700
Community amenities		951,107	940,798	898,161
Recreation and culture		540,656	465,697	372,755
Transport		219,329	289,636	226,468
Economic services		574,504	884,409	691,468
Other property and services		110,907	55,000	71,388
		<u>7,847,428</u>	<u>7,968,624</u>	<u>9,742,552</u>
Expenses	2(a)			
Governance		(134,662)	153,332	(208,920)
General purpose funding		(1,019,814)	(1,459,468)	(1,380,207)
Law, order, public safety		(370,551)	(339,448)	(331,499)
Health		(111,766)	(121,403)	(103,514)
Education and welfare		(232,191)	(241,991)	(329,816)
Housing		(257,798)	(228,814)	(222,397)
Community amenities		(1,148,022)	(1,265,587)	(983,996)
Recreation and culture		(2,340,606)	(2,345,229)	(1,993,012)
Transport		(3,116,359)	(1,812,444)	(1,984,797)
Economic services		(1,505,517)	(1,602,402)	(1,303,769)
Other property and services		(112,693)	(39,768)	85,215
		<u>(10,349,979)</u>	<u>(9,303,222)</u>	<u>(8,756,712)</u>
Finance costs	2(a)			
Housing		(5,383)	(5,218)	(6,835)
Community amenities		(1,728)	(1,602)	(2,130)
Recreation and culture		(6,887)	(6,658)	(7,768)
Transport		0	(3,087)	(17,533)
Economic services		0	0	(2,159)
Other property and services		(3,061)	0	0
		<u>(17,059)</u>	<u>(16,565)</u>	<u>(36,425)</u>
		(2,519,610)	(1,351,163)	949,415
Non-operating grants, subsidies and contributions	30	5,105,625	13,894,955	6,304,555
Profit on disposal of assets	21	229,841	829,570	38,458
(Loss) on disposal of assets	21	0	(438,155)	(59,096)
Fair value adjustments to financial assets at fair value through profit or loss	4	(10,388)	0	0
Net result		<u>2,805,468</u>	<u>12,935,207</u>	<u>7,233,332</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	813,887	0	54,525,082
Units in Local Government House Trust		0	0	(187,474)
Initial Recognition of Vested Land		0	0	515,000
Total other comprehensive income		<u>813,887</u>	<u>0</u>	<u>54,852,608</u>
Total comprehensive income		<u>3,619,355</u>	<u>12,935,207</u>	<u>62,085,940</u>

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

SHIRE OF KATANNING
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	33,174,567	19,570,755
Trade and other receivables	4	852,547	1,321,167
Inventories	5	25,308	25,308
TOTAL CURRENT ASSETS		<u>34,052,422</u>	<u>20,917,230</u>
NON-CURRENT ASSETS			
Other receivables	4	173,736	156,202
Investment in Local Government House	6	108,332	118,720
Property, plant and equipment	7	50,859,888	50,937,022
Infrastructure	8	107,033,913	104,803,477
TOTAL NON-CURRENT ASSETS		<u>158,175,869</u>	<u>156,015,421</u>
TOTAL ASSETS		<u>192,228,291</u>	<u>176,932,651</u>
CURRENT LIABILITIES			
Trade and other payables	9	22,585,676	10,897,952
Current portion of long term borrowings	10	76,812	115,030
Provisions	11	636,655	438,498
TOTAL CURRENT LIABILITIES		<u>23,299,143</u>	<u>11,451,480</u>
NON-CURRENT LIABILITIES			
Trade and other payables	9	22,565	22,565
Long term borrowings	10	145,043	221,855
Provisions	11	47,716	142,282
TOTAL NON-CURRENT LIABILITIES		<u>215,324</u>	<u>386,702</u>
TOTAL LIABILITIES		<u>23,514,467</u>	<u>11,838,182</u>
NET ASSETS		<u>168,713,824</u>	<u>165,094,469</u>
EQUITY			
Retained surplus		91,635,776	89,423,702
Reserves - cash backed	12	9,957,708	9,364,314
Revaluation surplus	13	67,120,340	66,306,453
TOTAL EQUITY		<u>168,713,824</u>	<u>165,094,469</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		82,296,654	9,258,030	11,781,371	103,336,055
Comprehensive income					
Net result		7,233,332	0	0	7,233,332
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>54,525,082</u>	<u>54,525,082</u>
Total comprehensive income		7,233,332	0	54,525,082	61,758,414
Transfers from/(to) reserves		(106,284)	106,284	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2015		89,423,702	9,364,314	66,306,453	165,094,469
Comprehensive income					
Net result		2,805,468	0	0	2,805,468
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>813,887</u>	<u>813,887</u>
Total comprehensive income		2,805,468	0	813,887	3,619,355
Transfers from/(to) reserves		(593,394)	593,394	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		<u><u>91,635,776</u></u>	<u><u>9,957,708</u></u>	<u><u>67,120,340</u></u>	<u><u>168,713,824</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,284,680	3,430,796	3,149,832
Operating grants, subsidies and contributions		2,337,404	2,580,100	4,124,974
Fees and charges		1,983,817	1,981,951	1,810,336
Interest earnings		395,944	317,607	592,245
Goods and services tax		549,695	63,216	53,994
Other revenue		336,494	237,456	455,886
		<u>8,888,034</u>	<u>8,611,126</u>	<u>10,187,267</u>
Payments				
Employee costs		(4,728,168)	(3,419,390)	(3,529,620)
Materials and contracts		(1,617,543)	(3,440,759)	(2,916,466)
Utility charges		(376,029)	(391,077)	(354,137)
Interest expenses		(17,353)	(9,202)	(36,806)
Insurance expenses		(261,156)	(263,665)	(225,243)
Goods and services tax		(589,520)	(86,039)	(79,163)
Other expenditure		(315,765)	(211,540)	(392,138)
		<u>(7,905,534)</u>	<u>(7,821,672)</u>	<u>(7,533,573)</u>
Net cash provided by (used in) operating activities	14(b)	<u>982,500</u>	<u>789,454</u>	<u>2,653,694</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(671,111)	(18,140,254)	(1,206,962)
Payments for construction of infrastructure		(1,152,100)	(1,790,011)	(1,053,610)
Payments for work in progress		(2,861,701)	0	(5,484,290)
Non-operating grants, subsidies and contributions		17,005,025	13,894,955	6,304,555
Proceeds from sale of fixed assets		416,229	1,573,803	219,847
Funding provided for asset creation		0	(8,262,681)	1,668,878
Net cash provided by (used in) investment activities		<u>12,736,342</u>	<u>(12,724,188)</u>	<u>448,418</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(115,030)	(115,030)	(448,369)
Proceeds from new debentures		0	1,500,000	0
Net cash provided by (used in) financing activities		<u>(115,030)</u>	<u>1,384,970</u>	<u>(448,369)</u>
Net increase (decrease) in cash held		13,603,812	(10,549,764)	2,653,743
Cash at beginning of year		19,570,755	19,587,739	16,917,012
Cash and cash equivalents at the end of the year	14(a)	<u><u>33,174,567</u></u>	<u><u>9,037,975</u></u>	<u><u>19,570,755</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		2,264,136	1,983,464	723,300
		<u>2,264,136</u>	<u>1,983,464</u>	<u>723,300</u>
Revenue from operating activities (excluding rates)				
Governance		846,749	670,141	249,839
General purpose funding		707,676	1,332,053	3,649,886
Law, order, public safety		171,959	181,899	190,231
Health		3,215	4,950	4,719
Education and welfare		98,537	96,658	88,287
Housing		208,643	210,995	169,700
Community amenities		957,612	940,798	898,161
Recreation and culture		540,656	465,697	372,755
Transport		249,073	522,275	229,366
Economic services		751,460	884,409	691,468
Other property and services		110,907	55,000	71,388
		<u>4,646,487</u>	<u>5,364,875</u>	<u>6,615,800</u>
Expenditure from operating activities				
Governance		(134,662)	(147,847)	(208,920)
General purpose funding		(1,019,814)	(1,459,468)	(1,380,207)
Law, order, public safety		(370,551)	(339,448)	(331,499)
Health		(111,766)	(121,403)	(103,514)
Education and welfare		(232,191)	(241,991)	(329,816)
Housing		(263,181)	(234,032)	(229,232)
Community amenities		(1,149,750)	(1,268,189)	(986,126)
Recreation and culture		(2,347,493)	(2,353,995)	(2,059,865)
Transport		(3,116,359)	(1,949,399)	(2,002,341)
Economic services		(1,505,517)	(1,602,402)	(1,305,928)
Other property and services		(126,142)	(39,768)	85,215
		<u>(10,377,426)</u>	<u>(9,757,942)</u>	<u>(8,852,233)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(229,841)	(829,570)	(38,458)
Loss on disposal of assets	21	0	438,155	59,096
Movement in investment in Local Government House		(10,388)	0	0
Budget variance		0	(768)	0
Movement in Amherst Village tenants reducing equity		13,693	0	60,158
Movement in accrued salaries and wages		(434,251)	0	302,381
Movement in accrued interest on debentures		(294)	0	(383)
Movement in deferred pensioner rates (non-current)		(17,534)	0	(2,415)
Movement in employee benefit provisions		103,591	0	(75,951)
Depreciation and amortisation on assets	2(a)	3,179,636	2,118,664	2,082,746
Amount attributable to operating activities		<u>(862,191)</u>	<u>(683,122)</u>	<u>2,387,174</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		5,105,625	13,894,955	6,304,555
Proceeds from disposal of assets	21	416,229	1,573,803	219,847
Work in Progress		(2,861,701)	0	(5,484,290)
Purchase of property, plant and equipment	7(b)	(671,111)	(18,140,254)	(1,206,962)
Purchase and construction of infrastructure	8(b)	(1,152,100)	(1,790,011)	(1,053,610)
Amount attributable to investing activities		<u>836,942</u>	<u>(4,461,507)</u>	<u>(1,220,460)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(115,030)	(115,030)	(448,369)
Proceeds from new debentures	22(a)	0	1,500,000	0
Transfers to reserves (restricted assets)	12	(1,910,135)	(2,605,282)	(1,290,788)
Transfers from reserves (restricted assets)	12	1,316,741	2,931,621	1,184,504
Amount attributable to financing activities		<u>(708,424)</u>	<u>1,711,309</u>	<u>(554,653)</u>
Surplus(deficiency) before general rates		<u>(733,673)</u>	<u>(3,433,320)</u>	<u>(901,072)</u>
Total amount raised from general rates	23	<u>3,430,782</u>	<u>3,433,320</u>	<u>3,165,208</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>2,697,109</u></u>	<u><u>0</u></u>	<u><u>2,264,136</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

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

(b) Goods and Services Tax (GST)

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

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

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

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

SHIRE OF KATANNING
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.

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.

SHIRE OF KATANNING
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)

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 Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

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

Land under roads

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

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

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

SHIRE OF KATANNING
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 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:

	Capitalisation Threshold	Depn Rate	Useful Life
Land and Buildings	Buildings - \$5,000	2%	50 Years
	Land - ALL	N/A	N/A
Furniture and fittings	\$5,000	10%	10 years
Equipment	\$5,000	10%-33.3%	3 to 10 years
Plant	\$5,000	10%-20%	5 to 10 years
Motor Vehicles	ALL	25%	4 years
Painting and sculptures	ALL	1%	100 years
Drainage	\$10,000	2%	50 years
Parks and ovals	\$10,000	5%	20 years
Footpaths	\$10,000	2%	50 years
Bridges	\$10,000	2%	50 years
Roads	\$10,000	2.5%-5%	20 to 40 years
Other Infrastructure	\$10,000	2%-5%	20 to 50 years

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

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

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

SHIRE OF KATANNING
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)

Capitalisation threshold

Expenditure on items purchased under the capitalisation threshold for each asset class listed above are not capitalised. Rather, they are 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.

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.

SHIRE OF KATANNING
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)

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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement

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

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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

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

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

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

(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.

SHIRE OF KATANNING
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

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

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

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

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Grants and contributions received over which the local government does not have full control are recognised as a liability as disclosed at Notes 2(c) and 9.

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 received during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions received 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
<p>(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations</p> <p>[AASB 1 & AASB 11]</p>	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>
<p>(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation</p> <p>[AASB 116 & 138]</p>	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>
<p>(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</p>	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<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:

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

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

2. REVENUE AND EXPENSES

(a) Net Result

The Net result includes:	2016	2015
	\$	\$
(i) Charging as an expense:		
Auditors remuneration (previous auditor)		
- Audit of the Annual Financial Report	23,625	26,510
- Audit fees associated with grant acquittals	2,300	19,250
- Other Services	3,396	0
Auditors remuneration (current auditor)		
- Audit of the Annual Financial Report	10,396	0
Depreciation		
Buildings - Non-specialised	794,759	790,993
Furniture and Equipment	5,330	5,330
Plant	467,499	434,186
Paintings & Sculptures	2,306	1,355
Motor Vehicles	157,747	139,072
Equipment	173,569	159,877
Infrastructure - Roads	1,055,059	396,292
Infrastructure - Footpaths	70,747	56,290
Infrastructure - Drainage	349,834	72,430
Infrastructure - Parks and Ovals	4,900	4,900
Infrastructure - Other	84,870	19,069
Infrastructure - Bridges	13,016	2,952
	<u>3,179,636</u>	<u>2,082,746</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	17,059	36,424
	<u>17,059</u>	<u>36,424</u>
Rental charges		
- Operating leases	5,775	6,845
	<u>5,775</u>	<u>6,845</u>
(ii) Crediting as revenue:		
Significant revenue		
- Initial recognition of Vested Land - Golf Course	0	515,000
	<u>0</u>	<u>515,000</u>
Other revenue		
Reimbursements and recoveries	40,403	217,539
Other	296,091	0
	<u>336,494</u>	<u>217,539</u>

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

2. REVENUE AND EXPENSES (Continued)

(a) Net Result (Continued)

	2016 Actual	2016 Budget	2015 Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	255,361	23,417	324,586
- Other funds	90,611	55,000	71,339
Other interest revenue (refer note 28)	49,972	239,190	28,568
	<u>395,944</u>	<u>317,607</u>	<u>424,493</u>

(b) Statement of Objective

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

COMMUNITY VISION

"Together, We're Building Katanning's Future"

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

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and environmental health administration.

EDUCATION AND WELFARE

Year round care, housing for the aged and educational services.

HOUSING

Management and maintenance of staff and rental housing.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Rubbish collections, recycling, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities, sewerage and protection of the environment.

RECREATION AND CULTURE

Maintenance and operation of the Town Hall, the aquatic centre, recreation centre, library, community arts program, cultural activities and various reserves.

TRANSPORT

Construction and maintenance of streets, roads, bridges, footpaths, street lighting, traffic management and airport. Purchase and disposal of Council's road plant, parking control and police licensing.

ECONOMIC SERVICES

Building control, saleyards, tourism and area promotion, standpipes and pest control.

OTHER PROPERTY AND SERVICES

Private works operations, plant repairs and operation costs, stock and materials, property leases and rental, salaries and wages of council employees.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
Country Local Government Fund 2011/2012 (Reg. Gym/Entertainment Centre)	Governance	466,607	0	(141,208)	325,399	0	(284,541)	40,858
Country Local Government Fund 2012/2013 Admin Building	Governance	535,968	0	(380,745)	155,223	0	(154,609)	614
Supertown - RDL	Governance	6,880,636	99,936	(4,564,265)	2,416,307	15,362	(1,515,601)	916,068
RDL - Early Childhood Hub	Governance	0	5,731,117	0	5,731,117	98,545	(49,063)	5,780,599
RDL Main Street Stage 2	Governance	0	350,374	(1,561)	348,813	0	(263,097)	85,716
Supertown - RDL	Governance	0	0	0	0	15,720,000	0	15,720,000
Cat Act Sterilisation Project	Law, Order & Public Safety	9,573	0	(64)	9,509	0	(9,028)	481
Kidsport - Department for Communities	Recreation & Culture	33,731	0	(26,070)	7,661	10,000	(16,552)	1,109
Community Safe Speed Promise Grant	Transport	4,225	0	(205)	4,020	0	(3,016)	1,004
Country Local Government Fund (Regional Waste Initiative)	Governance	0	0	0	0	56,707	(56,707)	0
DFES (Fire Truck Shed Door)	Law, Order & Public Safety	0	0	0	0	10,580	(10,580)	0
Blackspot Funding	Transport	0	0	0	0	46,640	(46,640)	0
MRWA - Bridges	Transport	0	0	0	0	21,400	(21,400)	0
Regional Road Group	Transport	0	0	0	0	250,000	(250,000)	0
Roads to Recovery	Transport	0	100,000	(100,000)	0	688,322	(568,713)	119,609
Youth Activities Grant Income	Education and Welfare	0	0	0	0	31,170	(31,170)	0
National Youth Week Grant (CPFS Grant)	Education and Welfare	0	0	0	0	1,000	(1,000)	0
NAIDOC Week Grant Income	Education and Welfare	0	0	0	0	6,100	(5,545)	555
Grant Income (CDW) <i>Thank a Volunteer Day</i>	Education and Welfare	0	0	0	0	1,000	(1,000)	0
Harmony Festival Grant	Education and Welfare	0	0	0	0	30,000	(30,000)	0
All Ways 5 Days Project	Education and Welfare	0	0	0	0	23,231	(23,231)	0
Club Development Officer Program	Education and Welfare	0	0	0	0	20,000	(20,000)	0
DSR Recreation Centre Activity Pilot Program	Recreation & Culture	0	0	0	0	5,000	(5,000)	0
Childrens Book Week	Recreation & Culture	0	0	0	0	2,225	(2,225)	0
Lotterywest Heritage Grant	Governance	0	0	0	0	30,000	(30,000)	0
Total		7,930,740	6,281,427	(5,214,118)	8,998,049	17,067,282	(3,398,718)	22,666,613
					2015			2016
					\$			\$
					501,812			2,284,669
					8,496,237			20,381,944
					8,998,049			22,666,613

Notes:

(1) - Grants/contributions received in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were received 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 received 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 KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		550,246	1,208,392
Restricted		<u>32,624,321</u>	<u>18,362,363</u>
		<u><u>33,174,567</u></u>	<u><u>19,570,755</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant replacement reserve	12	989,843	153,220
Employee leave entitlement reserve	12	432,139	419,406
Amherst Village Building Maintenance Reserve	12	86,712	118,812
Amherst Village refundable Deposit Reserve	12	1,087,099	800,786
Saleyard reserve	12	956,175	928,000
Waste management reserve	12	849,056	824,037
Land and buildings reserve	12	2,821,739	2,474,750
Land and building facilities for senior reserve	12	581,654	564,515
New saleyard plant reserve	12	182,912	1,168,470
Gravel reserve	12	1,970,379	1,912,318
Unspent grants	2(c)	<u>22,666,613</u>	<u>8,998,049</u>
		<u><u>32,624,321</u></u>	<u><u>18,362,363</u></u>

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

4. TRADE AND OTHER RECEIVABLES	2016	2015
	\$	\$
Current		
Rates outstanding	338,838	206,826
Sundry debtors	584,566	1,121,424
GST receivable	105,837	66,012
Accrued Income	13,944	88,200
Provision for doubtful debts	(190,888)	(164,062)
Payments in Advance	250	2,767
	<u>852,547</u>	<u>1,321,167</u>
Non-current		
Rates outstanding - pensioners	173,736	156,202
	<u>173,736</u>	<u>156,202</u>
 5. INVENTORIES		
Current		
Fuel and materials	10,516	10,516
History books	14,792	14,792
	<u>25,308</u>	<u>25,308</u>
 6. INVESTMENTS		
Non-current		
Investment in Local Government House	108,332	118,720
	<u>108,332</u>	<u>118,720</u>

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

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	\$	\$
Land - Freehold		
- Independent valuation 2013 - level 2	9,599,100	9,599,100
- Additions after valuation - cost	<u>131,261</u>	<u>131,261</u>
	9,730,361	9,730,361
Buildings - Non-specialised at:		
- Independent valuation 2013 - level 2	11,881,000	11,881,000
- Additions after valuation - cost	26,729,960	26,419,404
Less accumulated depreciation	<u>(1,856,070)</u>	<u>(1,061,311)</u>
	36,754,890	37,239,093
Total land and buildings	<u>46,485,251</u>	<u>46,969,454</u>
Furniture and Equipment at:		
- Management valuation 2016 - level 2	17,860	0
- Management valuation 2013 - level 2	0	53,300
- Additions after valuation - cost	0	3,262
Less accumulated depreciation	<u>0</u>	<u>(10,659)</u>
	17,860	45,903
Plant at:		
- Management valuation 2016 - level 2	3,073,928	0
- Management valuation 2013 - level 1	0	2,619,799
- Additions after valuation - cost	0	946,442
Less accumulated depreciation	<u>0</u>	<u>(822,241)</u>
	3,073,928	2,744,000
Paintings & Sculptures at:		
- Independent valuation 2015 - level 2	230,591	230,591
Less accumulated depreciation	<u>(2,306)</u>	<u>0</u>
	228,285	230,591
Motor Vehicles at:		
- Management valuation 2016 - level 2	591,160	0
- Management valuation 2013 - level 1	0	188,000
- Additions after valuation - cost	0	408,724
Less accumulated depreciation	<u>0</u>	<u>(167,720)</u>
	591,160	429,004
Equipment at:		
- Management valuation 2016 - level 2	462,967	0
- Management valuation 2013 - level 1	0	691,426
- Additions after valuation - cost	437	140,396
Less accumulated depreciation	<u>0</u>	<u>(313,752)</u>
	463,404	518,070
	<u>50,859,888</u>	<u>50,937,022</u>

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

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - Freehold	9,730,361	0	0	0	0	0	0	0	9,730,361
Total land	9,730,361	0	0	0	0	0	0	0	9,730,361
Buildings - Non-specialised	37,239,093	104,256	(19,166)	0	0	0	(794,759)	225,466	36,754,890
Total buildings	37,239,093	104,256	(19,166)	0	0	0	(794,759)	225,466	36,754,890
Total land and buildings	46,969,454	104,256	(19,166)	0	0	0	(794,759)	225,466	46,485,251
Furniture and Equipment	45,903	0	0	(22,713)	0	0	(5,330)	0	17,860
Plant	2,744,000	276,022	(36,174)	557,579	0	0	(467,499)	0	3,073,928
Paintings & Sculptures	230,591	0	0	0	0	0	(2,306)	0	228,285
Motor Vehicles	429,004	290,396	(131,048)	160,555	0	0	(157,747)	0	591,160
Equipment	518,070	437	0	118,466	0	0	(173,569)	0	463,404
Total property, plant and equipment	50,937,022	671,111	(186,388)	813,887	0	0	(1,601,210)	225,466	50,859,888

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land - Freehold					
Land - Freehold	Level 2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2013	Price per hectare / market borrowing rate
Buildings - Non-specialised	Level 2	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuer	June 2013	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Furniture and Equipment	Level 3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Plant					
- Management valuation 2016	Level 2	Market approach using recent observable market data for similar items	Independent registered valuer	June 2016	Open market values of similar items adjusted for condition and comparability.
Paintings & Sculptures	Level 2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2015	Market price
Motor Vehicles	Level 2	Market approach using recent observable market data for similar items	Independent registered valuer	June 2016	Open market values of similar items adjusted for condition and comparability.
Equipment	Level 2	Market approach using recent observable market data for similar items	Management valuation	June 2016	Open market values of similar items adjusted for condition and comparability.

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

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

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

	2016	2015
	\$	\$
8 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	76,787,269	76,787,269
- Additions after valuation - cost	1,136,466	0
Less accumulated depreciation	<u>(1,055,059)</u>	<u>0</u>
	76,868,676	76,787,269
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	2,531,537	2,531,537
Less accumulated depreciation	<u>(70,747)</u>	<u>0</u>
	2,460,790	2,531,537
Infrastructure - Drainage		
- Management valuation 2015 - level 3	12,587,177	12,587,177
Less accumulated depreciation	<u>(349,834)</u>	<u>0</u>
	12,237,343	12,587,177
Infrastructure - Parks and Ovals		
- Management valuation 2015 - level 3	92,396	332,396
- Additions after valuation - cost	0	0
Less accumulated depreciation	<u>(300)</u>	<u>(9,934)</u>
	92,096	322,462
Infrastructure - Other		
- Management valuation 2015 - level 3	3,394,801	3,394,801
- Additions after valuation - cost	15,634	0
Less accumulated depreciation	<u>(84,870)</u>	<u>0</u>
	3,325,565	3,394,801
Infrastructure - Bridges		
- Management valuation 2015 - level 3	650,813	650,813
Less accumulated depreciation	<u>(13,016)</u>	<u>0</u>
	637,797	650,813
Infrastructure - Works in progress		
- Additions at Cost	8,529,418	8,529,418
- Additions 2016	2,882,228	0
Less accumulated depreciation	<u>0</u>	<u>0</u>
	11,411,646	8,529,418
	<u>107,033,913</u>	<u>104,803,477</u>

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

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	76,787,269	1,136,466	0	0	0	0	(1,055,059)	0	76,868,676
Infrastructure - Footpaths	2,531,537	0	0	0	0	0	(70,747)	0	2,460,790
Infrastructure - Drainage	12,587,177	0	0	0	0	0	(349,834)	0	12,237,343
Infrastructure - Parks and Ovals	322,462	0	0	0	0	0	(4,900)	(225,466)	92,096
Infrastructure - Other	3,394,801	15,634	0	0	0	0	(84,870)	0	3,325,565
Infrastructure - Bridges	650,813	0	0	0	0	0	(13,016)	0	637,797
Infrastructure - Works in progress	8,529,418	2,882,228	0	0	0	0	0	0	11,411,646
Total infrastructure	104,803,477	4,034,328	0	0	0	0	(1,578,426)	(225,466)	107,033,913

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

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

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

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

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

9. TRADE AND OTHER PAYABLES	2016	2015
	\$	\$
Current		
Sundry creditors	723,713	593,133
Accrued interest on debentures	390	684
Accrued salaries and wages	14,627	448,878
ATO liabilities	49,681	85,327
Accrued Expenses	242,017	114,082
Amherst Deposits	1,173,304	1,159,611
Income received in advance	20,381,944	8,496,237
	<u>22,585,676</u>	<u>10,897,952</u>
Non-Current		
Provision for excess on changeover Amherst Village Units	22,565	22,565
	<u>22,565</u>	<u>22,565</u>

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	76,812	115,030
	<u>76,812</u>	<u>115,030</u>
Non-current		
Secured by floating charge		
Debentures	145,043	221,855
	<u>145,043</u>	<u>221,855</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	344,212	94,286	438,498
Non-current provisions	0	142,282	142,282
	<u>344,212</u>	<u>236,568</u>	<u>580,780</u>
Additional provision	226,054	97,312	323,366
Amounts used	(219,775)	0	(219,775)
Balance at 30 June 2016	<u>350,491</u>	<u>333,880</u>	<u>684,371</u>
Comprises			
Current	350,491	286,164	636,655
Non-current	0	47,716	47,716
	<u>350,491</u>	<u>333,880</u>	<u>684,371</u>

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Plant replacement reserve	153,220	836,623	0	989,843	153,219	831,473	0	984,692	279,706	12,956	(139,442)	153,220
Employee leave entitlement reserve	419,406	12,733	0	432,139	419,405	10,485	0	429,890	400,533	18,873	0	419,406
Amherst Village Building Maintenance Reserve	118,812	3,607	(35,707)	86,712	118,811	2,970	(36,567)	85,214	147,000	6,932	(35,120)	118,812
Amherst Village refundable Deposit Reserve	800,786	354,313	(68,000)	1,087,099	800,786	220,020	0	1,020,806	496,289	523,384	(218,887)	800,786
Saleyard reserve	928,000	28,175	0	956,175	928,000	23,200	(200,000)	751,200	886,242	41,758	0	928,000
Waste management reserve	824,037	25,019	0	849,056	824,037	20,601	0	844,638	787,454	36,583	0	824,037
Land and buildings reserve	2,474,750	538,989	(192,000)	2,821,739	2,474,750	1,405,401	(1,497,372)	2,382,779	2,034,942	453,121	(13,313)	2,474,750
Employee retention reserve	0	0	0	0	0	0	0	0	6,829	635	(7,464)	0
Land and building facilities for senior reserve	564,515	17,139	0	581,654	564,515	14,113	0	578,628	539,113	25,402	0	564,515
New saleyard project reserve	361,014	10,961	(189,063)	182,912	361,014	9,025	(370,039)	0	811,382	38,581	(488,949)	361,014
New saleyard plant reserve	807,456	24,515	(831,971)	0	807,457	20,186	(827,643)	0	1,040,613	48,172	(281,329)	807,456
Gravel reserve	1,912,318	58,061	0	1,970,379	1,912,319	47,808	0	1,960,127	1,827,927	84,391	0	1,912,318
	9,364,314	1,910,135	(1,316,741)	9,957,708	9,364,313	2,605,282	(2,931,621)	9,037,974	9,258,030	1,290,788	(1,184,504)	9,364,314

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

SHIRE OF KATANNING
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12. RESERVES - CASH BACKED (Continued)

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

Name of Reseve	Anticipated date of use	Purpose of the reserve
Plant replacement reserve	Ongoing	To be used for future plant purchases
Employee leave entitlement reserve	Ongoing	To be used to fund accrued employee leave entitlements
Amherst Village Building Maintenance Reserve	Ongoing	To be used for maintenance at Amherst Village
Amherst Village refundable Deposit Reserve	Ongoing	To be used to fund refundable deposits at Amherst Village
Saleyard reserve	Ongoing	To be used for future capital and maintenance works
Waste management reserve	Ongoing	To be used for future capital and maintenance works
Land and buildings reserve	Ongoing	To provide for construction and maintenance of council owned buildings
Employee retention reserve	Ongoing	To be used to fund contracted obligations
Land and building facilities for senior reserve	Ongoing	To be used for construction and maintenance of land and buildings for the use of seniors
New saleyard project reserve	Ongoing	To be used for future capital and maintenance works
New saleyard plant reserve	Ongoing	To be used to fund plant purchases
Gravel reserve	Ongoing	To be used to fund the costs of meeting Shire's future gravel and construction requirements

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

13. REVALUATION SURPLUS

	2016				2015					
	2016	2016	2016	2016	2015	2015	2015	2015	2015	
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	
	Balance	Increment	Decrement	Movement on	Balance	Balance	Increment	Decrement	Movement on	
	\$	\$	\$	Revaluation	\$	\$	\$	\$	Revaluation	
				\$					\$	
Land and buildings surplus	7,435,230	0	0	0	7,435,230	7,305,230	130,000	0	130,000	7,435,230
Painting and sculptures surplus	210,339	0	0	0	210,339	96,865	113,474	0	113,474	210,339
Plant surplus	453,443	557,579	0	557,579	1,011,022	475,633	0	(22,190)	(22,190)	453,443
Equipment surplus	460,880	118,466	0	118,466	579,346	460,880	0	0	0	460,880
Furniture surplus	24,486	0	(22,713)	(22,713)	1,773	24,486	0	0	0	24,486
Motor Vehicle Revaluation	0	160,555	0	160,555	160,555	0	0	0	0	0
Infrastructure - roads surplus	39,578,114	0	0	0	39,578,114	0	39,578,114	0	39,578,114	39,578,114
Infrastructure - footpaths surplus	2,528,431	0	0	0	2,528,431	900,866	1,627,565	0	1,627,565	2,528,431
Infrastructure - drainage surplus	12,554,137	0	0	0	12,554,137	2,117,035	10,437,102	0	10,437,102	12,554,137
Infrastructure - parks and ovals surplus	263,516	0	0	0	263,516	273,120	0	(9,604)	(9,604)	263,516
Infrastructure - other surplus	2,490,477	0	0	0	2,490,477	127,255	2,363,222	0	2,363,222	2,490,477
Infrastructure - Bridges surplus	307,400	0	0	0	307,400	0	307,400	0	307,400	307,400
	<u>66,306,453</u>	<u>836,600</u>	<u>(22,713)</u>	<u>813,887</u>	<u>67,120,340</u>	<u>11,781,370</u>	<u>54,556,877</u>	<u>(31,794)</u>	<u>54,525,083</u>	<u>66,306,453</u>

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

SHIRE OF KATANNING
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14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>33,174,567</u>	<u>9,037,975</u>	<u>19,570,755</u>

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

Net result	2,805,468	12,935,207	7,233,332
Non-cash flows in Net result:			
Depreciation	3,179,636	2,118,665	2,082,746
(Profit)/Loss on sale of asset	(229,841)	(391,415)	20,638
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	451,086	642,503	444,717
(Increase)/Decrease in inventories	10,388	(2,487)	43,924
Increase/(Decrease) in payables	11,667,197	(977,860)	(791,157)
Increase/(Decrease) in provisions	103,591	359,796	(75,951)
Grants contributions for the development of assets	<u>(17,005,025)</u>	<u>(13,894,955)</u>	<u>(6,304,555)</u>
Net cash from operating activities	<u>982,500</u>	<u>789,454</u>	<u>2,653,694</u>

	2016	2015
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	65,000	65,000
Credit card balance at balance date	<u>(897)</u>	<u>(2,443)</u>
Total amount of credit unused	<u>314,103</u>	<u>312,557</u>
Loan facilities		
Loan facilities - current	76,812	115,030
Loan facilities - non-current	<u>145,043</u>	<u>221,855</u>
Total facilities in use at balance date	<u>221,855</u>	<u>336,885</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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15. CONTINGENT LIABILITIES

There is a contingent liability of a maximum of \$129,766 (2015: \$265,194) in respect of possible obligations for future payments to vacating residents of units in Amherst Village for one half of the excess of the Refundable Capital Deposit paid by the next succeeding resident of the unit over the Refundable Capital Deposit paid by the vacating resident of the unit.

16. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	6,300	5,834
	<u>6,300</u>	<u>5,834</u>
	<u>6,300</u>	<u>5,834</u>

(b) Capital Expenditure Commitments

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

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	722,544	19,768,226
General purpose funding	388,877	206,825
Law, order, public safety	383,503	413,132
Health	95,000	96,000
Education and welfare	815,600	557,766
Housing	3,988,126	5,536,530
Community amenities	307,386	1,572,317
Recreation and culture	9,450,113	10,584,396
Transport	93,733,000	94,447,616
Economic services	37,945,717	31,722,211
Other property and services	6,950,723	3,032,153
Unallocated	37,447,702	8,995,479
	<u>192,228,291</u>	<u>176,932,651</u>
	<u>192,228,291</u>	<u>176,932,651</u>

SHIRE OF KATANNING
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	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	1.09	1.28	0.87
Asset sustainability ratio	1.31	0.94	1.16
Debt service cover ratio	6.79	6.29	7.20
Operating surplus ratio	(0.36)	0.16	0.25
Own source revenue coverage ratio	0.62	0.64	0.85

The above ratios are calculated as follows:

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 61 of this document.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,000,441.

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

	2016	2015
Debt service cover ratio	14.36	4.22
Operating surplus ratio	(0.20)	(0.01)

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Transport licensing scheme	34,868	2,996,345	(2,993,485)	37,728
Saleyard bonds	250	2,250	(1,553)	947
Katanning leisure centre bonds	2,284	5,886	(8,036)	134
Town hall bonds	390	3,730	(3,230)	890
Other bonds and guarantees	7,740	570	(660)	7,650
Carpark contribution liability	8,168	0	0	8,168
Public open space contribution	38,000	0	0	38,000
Agricultural society contribution	8,000	3,818	(2,000)	9,818
BCITF	4,639	12,715	(14,694)	2,660
Art prize	200	0	0	200
Building licence	4,040	9,495	(11,937)	1,598
Cat trap bond	0	90	0	90
Sale of paintings	0	687	(830)	(143)
	<u>108,579</u>			<u>107,740</u>

SHIRE OF KATANNING
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21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Governance								
Old Mill - Clive St (B2027)	0	0	0	0	299,999	1	0	(299,998)
Lot 964 Great Southern Highway (L87)	0	0	0	0	11,000	360,000	349,000	0
Block 53 Annie st (LB0001)	0	0	0	0	3,164	48,000	44,836	0
11 Hassell Street (B09)	0	0	0	0	70,501	270,000	199,499	0
Mazda CX-5 (P760, MV93)	0	0	0	0	28,000	28,000	0	0
Mitsubishi Challenger (MV88, P749)	14,374	24,545	10,171	0	17,376	19,000	1,624	0
Mazda 6 (MV85, P746)	16,143	20,909	4,766	0	22,181	22,000	0	(181)
CEO's vehicle (MV91)	38,757	40,456	1,699	0	46,000	45,000	0	(1,000)
DCEO's vehicle	0	0	0	0	28,000	28,000	0	0
Community amenities								
Isuzu MU-X LSM (P761, MV94)	23,390	29,895	6,505	0	24,000	23,000	0	(1,000)
Transport								
Mitsubishi Challenger (MV90, P751)	11,755	22,727	10,972	0	24,028	26,000	1,972	0
Isuzu MU-X LSM (P759, MV92)	26,629	33,065	6,436	0	28,108	26,000	0	(2,108)
2008 Hyundai Van (Building Maintenance, P228, P228)	0	0	0	0	12,161	8,000	0	(4,161)
Hino Tipping Truck (P500, P1)	0	0	0	0	(44,110)	60,000	104,110	0
Daf Tipping Truck (P672, PE72)	0	0	0	0	112,053	65,000	0	(47,053)
JCB Backhoe (P672, PE72)	0	0	0	0	49,764	60,000	10,236	0
Replace New Holland Tractor (P216, HP16)	24,088	26,000	1,912	0	28,288	30,000	1,712	0
John Deere 1445 4WD mower (P520, PE37)	5,786	11,255	5,469	0	(14,926)	8,000	22,926	0
Isuzu 6x4 Tipping Truck (P134, HP12)	0	0	0	0	7,406	50,000	42,593	0
Volvo backhoe (P710, PE712)	0	0	0	0	24,798	45,000	20,202	0
Volvo excavator (P699, PE146)	0	0	0	0	141,064	90,000	0	(51,064)
Takeuchi skid steer (P590, P6165)	0	0	0	0	22,002	8,000	0	(14,002)
Iseki mower (P521, PE69)	6,300	11,255	4,955	0	13,002	5,000	0	(8,002)
Hustler fastrak (P701, PE148)	0	0	0	0	5,016	3,000	0	(2,016)
Snorkel rough terrain (P714, PE161)	0	0	0	0	(860)	30,000	30,860	0
60kva Cummins generator (P292, PE145)	0	0	0	0	8,003	7,000	0	(1,003)
Kerbing machine (P742, PE180)	0	0	0	0	18,567	12,000	0	(6,567)
Economic services								
Sale of old saleyards infrastructure	19,166	196,122	176,956	0	197,802	197,802	0	0
	<u>186,388</u>	<u>416,229</u>	<u>229,841</u>	<u>0</u>	<u>1,182,387</u>	<u>1,573,803</u>	<u>829,570</u>	<u>(438,155)</u>

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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2016	Repayments	Repayments
	2015		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Housing								
146 Conroy St Duplex	75,632		23,426	23,426	52,206	52,206	5,383	5,218
Community amenities								
154 Plant purchase - compactor	50,789		16,374	16,374	34,415	34,415	1,728	1,602
Recreation and culture								
148 Acquatic Centre	114,601		20,306	20,306	94,295	94,295	6,887	6,658
Transport								
149 Plant purchases	42,180		42,180	42,180	0	0	1,190	1,317
Economic services								
155 Plant purchase - road sweeper	53,683		12,744	12,744	40,939	40,939	1,871	1,770
	336,885	0	115,030	115,030	221,855	221,855	17,059	16,565
	336,885	0	115,030	115,030	221,855	221,855	17,059	16,565

All loan repayments were financed by general purpose revenue.

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22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total	Interest Rate	Amount Used		Balance Unspent
	Actual	Budget				Interest & Charges		Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
156 - Admin Building	0	1,500,000	Unknown	Debentures	20	975,000	6.50%	0	1,500,000	0
	<u>0</u>	<u>1,500,000</u>				<u>975,000</u>		<u>0</u>	<u>1,500,000</u>	<u>0</u>

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

(c) Unspent Debentures

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

(d) Overdraft

The Shire has not utilised an overdraft facility during the financial year although an overdraft facility of \$250,000 with the Commonwealth Bank does exist.

SHIRE OF KATANNING
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23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General rate											
GRV	0.089634	1,147	18,781,488	1,683,460	(431)	0	1,683,029	1,683,460	4,000	1,000	1,688,460
UV	0.101050	548	111,574,000	1,127,455	3,962	681	1,132,098	1,127,455	(4,000)	0	1,123,455
Sub-Total		1,695	130,355,488	2,810,915	3,531	681	2,815,127	2,810,915	0	1,000	2,811,915
Minimum payment	\$										
GRV	870	653	4,202,821	568,110	0	0	568,110	568,110	0	0	568,110
UV	870	103	4,937,693	89,610	0	0	89,610	89,610	0	0	89,610
Sub-Total		756	9,140,514	657,720	0	0	657,720	657,720	0	0	657,720
		2,451	139,496,002	3,468,635	3,531	681	3,472,847	3,468,635	0	1,000	3,469,635
Discounts/concessions (refer note 27)							(42,065)				(40,000)
Total amount raised from general rate							3,430,782				3,429,635
Ex-gratia rates							3,444				3,685
Totals							3,434,226				3,433,320

SHIRE OF KATANNING
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FOR THE YEAR ENDED 30TH JUNE 2016

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>2,697,109</u>	<u>2,264,136</u>	<u>2,264,136</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	550,246	1,208,392	1,208,392
Restricted	32,624,321	18,362,363	18,362,363
Receivables			
Rates outstanding	338,838	206,826	206,826
Sundry debtors	584,566	1,121,424	1,121,424
GST receivable	105,837	66,012	66,012
Loans receivable - clubs/institutions	250	2,767	2,767
Accrued Income	13,944	88,200	88,200
Provision for doubtful debts	(190,888)	(164,062)	(164,062)
Inventories			
Fuel and materials	10,516	10,516	10,516
History books	14,792	14,792	14,792
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(723,713)	(593,134)	(593,134)
Accrued interest on debentures	(390)	(684)	(684)
Accrued salaries and wages	(14,627)	(448,878)	(448,878)
ATO liabilities	(49,681)	(85,327)	(85,327)
Accrued Expenses	(242,017)	(114,082)	(114,082)
Income received in advance	(20,381,944)	(8,496,237)	(8,496,237)
Debentures	(76,812)	(115,030)	(115,030)
Provisions			
Provision for annual leave	(350,491)	(438,498)	(438,498)
Provision for long service leave	(286,164)	0	0
Unadjusted net current assets	<u>11,926,583</u>	<u>10,625,360</u>	<u>10,625,360</u>
Adjustments			
Less: Reserves - restricted cash	(9,957,708)	(9,364,314)	(9,364,314)
Less: Loans receivable - clubs/institutions	(250)	0	0
Less: Employee entitlements not expected to be utilised	636,655	438,498	438,498
Add: Debentures	76,812	115,030	115,030
Add: Accrued Wages and interest	15,017	449,562	449,562
Adjusted net current assets - surplus/(deficit)	<u><u>2,697,109</u></u>	<u><u>2,264,136</u></u>	<u><u>2,264,136</u></u>

Difference

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

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

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire of Katanning did not levy specified area rates in 2015/16.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

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

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

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Discount on current rates	2.00%	40,760	40,000	A discount is offered to rate payers who pay the full amount, including arrears and other charges received on or before 35 days after the date appearing on the rate notice. The discount applies to interim rates issued after the billing date.
		<u>40,760</u>	<u>40,000</u>	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual \$	Budget \$
Rates payable on lots 2, 130 & 4 Round Drive	Concession	50%	1,305	1,256
			<u>1,305</u>	<u>1,256</u>

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Rates payable on lots 2, 130 & 4 Round Drive	50% of rates payable by the Club	To recognise contributions to the community by the Club	Support to the Club for the contribution made.

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

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

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	30-Sep-16			11.00%
Option Two				
First Instalment	30-Sep-16			
Second Instalment	02-Feb-17	10	5.50%	
Option Three				
First Instalment	30-Sep-16			
Second Instalment	01-Dec-16	10	5.50%	
Third Instalment	02-Feb-17	10	5.50%	
Fourth Instalment	06-Apr-16	10	5.50%	

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	38,919	17,000
Interest on instalment plan	11,053	0
Charges on instalment plan	12,635	23,000
	62,607	40,000

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

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	185	606
General purpose funding	19,468	20,941
Law, order, public safety	18,660	16,183
Health	3,215	3,618
Education and welfare	3,118	7,895
Housing	57,000	58,354
Community amenities	874,036	829,425
Recreation and culture	405,674	307,493
Transport	8,167	8,707
Economic services	571,907	542,946
Other property and services	22,387	14,170
	<u>1,983,817</u>	<u>1,810,338</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	101,802	213,102
General purpose funding	978,406	3,201,184
Law, order, public safety	151,055	149,929
Education and welfare	94,319	80,393
Community amenities	7,313	11,497
Recreation and culture	118,586	54,329
Transport	222,135	217,762
Economic services	(1,207)	139,259
Other property and services	24,538	57,519
	<u>1,696,947</u>	<u>4,124,974</u>
Non-operating grants, subsidies and contributions		
Governance	0	4,642,092
General purpose funding	3,988,683	0
Law, order, public safety	10,580	335,106
Recreation and culture	0	86,717
Transport	1,106,362	498,640
Economic services	0	742,000
	<u>5,105,625</u>	<u>6,304,555</u>
	<u>6,802,572</u>	<u>10,429,529</u>

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

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	<u>63</u>	<u>60</u>
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32. ELECTED MEMBERS REMUNERATION

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

Meeting Fees

	2016	2016 Budget	2015
	\$	\$	\$
President's attendance fees	10,000	10,000	10,000
Councillors' attendance fees	80,000	80,000	80,000
President's allowance	20,000	20,000	20,000
Deputy President's allowance	5,000	5,000	5,000
Travelling expenses	437	1,000	437
Telecommunications allowance	9,900	9,900	9,900
	<u>125,337</u>	<u>125,900</u>	<u>125,337</u>

33. MAJOR LAND TRANSACTIONS

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did participate in trading undertakings for the purpose of utilising the Katanning Leisure Centre and Saleyards, but expenditure did not exceed \$2,000,000 each, which means the trading undertakings are exempt for reporting purposes as per Local Government (Functions and General) Regulations 1996 (Regulation 9) and therefore financial transactions are not required to be disclosed.

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	33,174,567	19,570,755	33,174,567	19,570,755
Receivables	1,026,283	1,477,369	1,026,283	1,477,369
	<u>34,200,850</u>	<u>21,048,124</u>	<u>34,200,850</u>	<u>21,048,124</u>
Financial liabilities				
Payables	22,585,676	10,897,952	22,585,676	10,897,952
Borrowings	221,855	336,885	235,150	314,782
	<u>22,807,531</u>	<u>11,234,837</u>	<u>22,820,826</u>	<u>11,212,734</u>

Fair value is determined as follows:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

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

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

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

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

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

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	187,372	195,708
- Statement of Comprehensive Income	187,372	195,708

Notes:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	34%	8%
- Overdue	66%	92%
Percentage of other receivables		
- Current	51%	96%
- Overdue	49%	4%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	22,585,676	0	0	22,585,676	22,585,676
Borrowings	76,812	145,043	0	221,855	221,855
	<u>22,662,488</u>	<u>145,043</u>	<u>0</u>	<u>22,807,531</u>	<u>22,807,531</u>
<u>2015</u>					
Payables	10,897,952	22,565	0	10,920,517	10,897,952
Borrowings	131,595	244,638	0	376,234	336,885
	<u>11,029,547</u>	<u>267,203</u>	<u>0</u>	<u>11,296,751</u>	<u>11,234,837</u>

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	86,621	40,938	94,295	0	0	221,854	5.40%
Weighted average Effective interest rate	0.00%	5.72%	3.43%	5.97%	0.00%	0.00%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	42,180	0	126,421	53,682	114,601	0	336,884	4.89%
Weighted average Effective interest rate	5.73%	0.00%	5.71%	3.43%	5.97%	0.00%		

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF KATANNING

REPORT ON THE FINANCIAL REPORT

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

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Opinion

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

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

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

Report on Other Legal and Regulatory Requirements

During the course of the audit we became aware of the following instances where the Shire did not comply with the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*:

Submission of Financial Report

- The accounts and financial report for the year ended 30 June 2016 were not submitted to the auditor by 31 October 2016 being the extension of time granted in accordance with Section 6.4(3) of the Act.
- The Annual Financial Report for the year ended 30 June 2015 was not submitted to the Department of Local Government within 30 days of the auditor's report becoming available, as required by Local Government (Financial Management) Regulation 51(2).

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

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

The Asset Renewal Funding Ratio was not calculated and hence no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Signed at Perth this 20th day of March 2017.

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

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	0.97	0.97	0.71
Asset renewal funding ratio	N/A	0.99	0.98

The above ratios are calculated as follows:

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

N/A - The ratios have not been calculated as the relevant strategic plans require thorough review.