

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

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Principal place of business:  
19 Gathorne Street  
Cranbrook WA 6321

SHIRE OF CRANBROOK  
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 9<sup>th</sup> day of NOVEMBER 2016



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Peter Northover  
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	23	2,244,042	2,217,954	2,118,507
Operating grants, subsidies and contributions	30	1,558,169	1,000,777	2,420,644
Fees and charges	29	327,472	338,010	340,299
Interest earnings	2(a)	66,274	74,023	70,868
Other revenue	2(a)	10,461	1,850	5,475
		<u>4,206,418</u>	<u>3,632,614</u>	<u>4,955,793</u>
<b>Expenses</b>				
Employee costs		(1,009,893)	(1,175,489)	(1,257,906)
Materials and contracts		(2,350,023)	(1,596,015)	(1,440,702)
Utility charges		(145,642)	(132,865)	(138,354)
Depreciation on non-current assets	2(a)	(2,409,126)	(1,759,170)	(1,673,342)
Interest expenses	2(a)	(35,116)	(36,133)	(35,771)
Insurance expenses		(120,503)	(109,957)	(108,259)
Other expenditure		(88,614)	(86,701)	(73,539)
		<u>(6,158,917)</u>	<u>(4,896,331)</u>	<u>(4,727,873)</u>
		(1,952,499)	(1,263,717)	227,920
Non-operating grants, subsidies and contributions	30	2,761,223	3,305,526	1,738,980
Profit on asset disposals	21	13,633	6,600	41,784
(Loss) on asset disposals	21	(97,099)	(45,800)	(34,539)
Fair value adjustments to financial assets				
(Loss) on revaluation of furniture and equipment		(973)	0	0
<b>Net result</b>		<u><b>724,285</b></u>	<u><b>2,002,609</b></u>	<u><b>1,974,145</b></u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(45,915)	0	28,489,858
Changes on revaluation of non-current assets	13	0		(2,787)
<b>Total other comprehensive income</b>		<u><b>(45,915)</b></u>	<u><b>0</b></u>	<u><b>28,487,071</b></u>
<b>Total comprehensive income</b>		<u><u><b>678,370</b></u></u>	<u><u><b>2,002,609</b></u></u>	<u><u><b>30,461,216</b></u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		25,642	17,540	24,453
General purpose funding		2,943,567	2,942,523	4,136,016
Law, order, public safety		77,651	72,200	63,045
Health		4,080	3,750	3,973
Education and welfare		2,310	0	7,485
Housing		65,860	69,960	67,824
Community amenities		94,469	86,864	82,621
Recreation and culture		38,537	56,634	44,028
Transport		686,782	154,068	183,830
Economic services		151,912	163,375	194,611
Other property and services		115,608	65,700	147,906
		<u>4,206,418</u>	<u>3,632,614</u>	<u>4,955,793</u>
<b>Expenses</b>	2(a)			
Governance		(414,692)	(444,032)	(382,139)
General purpose funding		(115,577)	(123,264)	(117,189)
Law, order, public safety		(313,971)	(343,668)	(264,852)
Health		(59,565)	(59,833)	(62,665)
Education and welfare		(39,823)	(39,623)	(45,953)
Housing		(63,612)	(70,456)	(75,658)
Community amenities		(540,701)	(511,544)	(518,913)
Recreation and culture		(684,553)	(730,935)	(693,341)
Transport		(3,444,127)	(2,085,814)	(2,042,132)
Economic services		(402,253)	(413,717)	(391,440)
Other property and services		(44,927)	(37,311)	(97,818)
		<u>(6,123,801)</u>	<u>(4,860,197)</u>	<u>(4,692,100)</u>
<b>Finance costs</b>	2(a)			
Housing		(25,002)	(25,904)	(25,112)
Recreation and culture		(10,114)	(10,230)	(10,659)
		<u>(35,116)</u>	<u>(36,134)</u>	<u>(35,771)</u>
		(1,952,499)	(1,263,717)	227,922
Non-operating grants, subsidies and contributions	30	2,761,223	3,305,526	1,738,980
Profit on disposal of assets	21	13,633	6,600	38,839
(Loss) on disposal of assets	21	(97,099)	(45,800)	(31,594)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	0
(Loss) on revaluation of furniture and equipment		<u>(973)</u>	<u>0</u>	<u>0</u>
		<u>(973)</u>	<u>0</u>	<u>0</u>
<b>Net result</b>		<u>724,285</u>	<u>2,002,609</u>	<u>1,974,145</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(45,915)	0	28,489,858
Changes on revaluation of non-current assets	13	0	0	(2,787)
<b>Total other comprehensive income</b>		<u>(45,915)</u>	<u>0</u>	<u>28,487,071</u>
<b>Total comprehensive income</b>		<u>678,370</u>	<u>2,002,609</u>	<u>30,461,216</u>

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

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

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,502,480	2,953,346
Trade and other receivables	5	740,554	131,238
Inventories	6	<u>35,190</u>	<u>31,710</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,278,224</u>	<u>3,116,294</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	33,777	32,591
Investments	4	52,448	55,879
Property, plant and equipment	7	17,750,658	17,642,041
Infrastructure	8	<u>121,102,822</u>	<u>119,673,099</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>138,939,705</u>	<u>137,403,611</u>
<b>TOTAL ASSETS</b>		<u>141,217,929</u>	<u>140,519,905</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	242,787	153,119
Current portion of long term borrowings	10	84,094	79,630
Provisions	11	<u>265,342</u>	<u>254,978</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>592,223</u>	<u>487,727</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	10	452,698	536,809
Provisions	11	<u>47,085</u>	<u>47,815</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>499,783</u>	<u>584,624</u>
<b>TOTAL LIABILITIES</b>		<u>1,092,006</u>	<u>1,072,351</u>
<b>NET ASSETS</b>		<u>140,125,923</u>	<u>139,447,554</u>
<b>EQUITY</b>			
Retained surplus		72,081,593	71,723,394
Reserves - cash backed	12	2,063,172	1,697,086
Revaluation surplus	13	<u>65,981,158</u>	<u>66,027,074</u>
<b>TOTAL EQUITY</b>		<u>140,125,923</u>	<u>139,447,554</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		<b>70,258,775</b>	<b>1,187,560</b>	<b>37,540,003</b>	<b>108,986,338</b>
Comprehensive income					
Net result		1,974,145	0	0	1,974,145
Changes on revaluation of assets				(2,787)	(2,787)
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>28,489,858</u>	<u>28,489,858</u>
Total comprehensive income		1,974,145	0	28,487,071	30,461,216
Transfers from/(to) reserves		(509,526)	509,526	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2015</b>		<b>71,723,394</b>	<b>1,697,086</b>	<b>66,027,074</b>	<b>139,447,554</b>
Comprehensive income					
Net result		724,285	0	0	724,285
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>(45,915)</u>	<u>(45,915)</u>
Total comprehensive income		724,285	0	(45,915)	678,370
Transfers from/(to) reserves		(366,086)	366,086	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2016</b>		<b><u>72,081,593</u></b>	<b><u>2,063,172</u></b>	<b><u>65,981,158</u></b>	<b><u>140,125,923</u></b>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,239,913	2,224,525	2,168,278
Operating grants, subsidies and contributions		945,022	1,000,777	2,420,644
Fees and charges		327,472	335,156	317,931
Interest earnings		66,274	74,023	70,868
Other revenue		10,461	1,850	5,475
		<u>3,589,141</u>	<u>3,636,331</u>	<u>4,983,197</u>
<b>Payments</b>				
Employee costs		(985,976)	(1,230,467)	(1,193,212)
Materials and contracts		(2,277,775)	(1,592,811)	(1,394,741)
Utility charges		(145,642)	(132,865)	(138,354)
Interest expenses		(35,459)	(109,957)	(36,139)
Insurance expenses		(120,503)	(36,134)	(108,259)
Goods and services tax		10,674	0	(9,946)
Other expenditure		(88,614)	(86,701)	(73,539)
		<u>(3,643,295)</u>	<u>(3,188,935)</u>	<u>(2,954,190)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>(54,154)</u>	<u>447,396</u>	<u>2,029,007</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,537,445)	(2,760,898)	(1,579,308)
Payments for construction of infrastructure		(3,040,446)	(2,512,145)	(1,669,059)
Advances to community groups		0	(1,000)	0
Non-operating grants, subsidies and contributions		2,761,223	3,305,526	1,738,980
Proceeds from sale of fixed assets		503,503	522,100	836,283
<b>Net cash provided by (used in) investment activities</b>		<u>(1,313,165)</u>	<u>(1,446,417)</u>	<u>(673,104)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(79,647)	(79,630)	(75,425)
Proceeds from self supporting loans		(3,900)	7,100	7,700
<b>Net cash provided by (used in) financing activities</b>		<u>(83,547)</u>	<u>(72,530)</u>	<u>(67,725)</u>
<b>Net increase (decrease) in cash held</b>		(1,450,866)	(1,071,551)	1,288,182
Cash at beginning of year		2,953,346	2,953,346	1,665,163
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>1,502,480</u></u>	<u><u>1,881,795</u></u>	<u><u>2,953,346</u></u>

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

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

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	<u>1,282,768</u> 1,282,768	<u>1,008,202</u> 1,008,202	<u>565,691</u> 565,691
<b>Revenue from operating activities (excluding rates)</b>			
Governance	29,990	17,540	24,453
General purpose funding	727,402	724,569	2,017,509
Law, order, public safety	77,651	72,200	63,045
Health	4,080	3,750	3,973
Education and welfare	2,310	0	7,485
Housing	65,860	69,960	264,717
Community amenities	94,469	86,864	82,621
Recreation and culture	38,537	56,634	44,028
Transport	161,393	160,668	193,963
Economic services	151,912	163,375	194,611
Other property and services	115,608	65,700	147,906
	<u>1,469,211</u>	<u>1,421,260</u>	<u>3,044,311</u>
<b>Expenditure from operating activities</b>			
Governance	(423,496)	(449,532)	(398,311)
General purpose funding	(115,577)	(123,264)	(117,189)
Law, order, public safety	(313,971)	(343,668)	(264,852)
Health	(59,565)	(59,833)	(62,665)
Education and welfare	(39,823)	(39,623)	(45,953)
Housing	(88,614)	(96,360)	(100,770)
Community amenities	(540,701)	(511,544)	(518,913)
Recreation and culture	(694,667)	(741,165)	(704,000)
Transport	(3,533,395)	(2,126,114)	(2,052,275)
Economic services	(402,253)	(413,717)	(391,440)
Other property and services	(44,927)	(37,311)	(97,818)
	<u>(6,256,989)</u>	<u>(4,942,131)</u>	<u>(4,754,187)</u>
<b>Operating activities excluded from budget</b>			
(Profit) on disposal of assets	21	(13,633)	(6,600)
Loss on disposal of assets	21	97,099	45,800
Fair value adjustment on asset sales		973	(173,465)
Movement in deferred pensioner rates (non-current)		0	0
Movement in employee benefit provisions (non-current)		(730)	0
Movement in employee benefit provisions (current)		10,364	67,550
Movement in accrued salaries and wages		13,695	6,118
Depreciation and amortisation on assets	2(a)	<u>2,409,126</u>	<u>1,759,170</u>
<b>Amount attributable to operating activities</b>		<u>(988,116)</u>	<u>(714,299)</u>
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions		2,761,223	3,305,526
Proceeds from disposal of assets	21	503,503	522,100
Purchase of property, plant and equipment	7(b)	(1,537,445)	(2,760,898)
Purchase and construction of infrastructure	8(b)	<u>(3,040,446)</u>	<u>(2,512,145)</u>
<b>Amount attributable to investing activities</b>		<u>(1,313,165)</u>	<u>(673,104)</u>
<b>FINANCING ACTIVITIES</b>			
Advances to community groups		(19,000)	(1,000)
Repayment of debentures	22(a)	(79,647)	(79,630)
Proceeds from self supporting loans		15,100	7,100
Transfers to reserves (restricted assets)	12	(484,368)	(407,209)
Transfers from reserves (restricted assets)	12	118,282	422,501
<b>Amount attributable to financing activities</b>		<u>(449,633)</u>	<u>(58,238)</u>
<b>Surplus(deficiency) before general rates</b>		<u>(2,750,915)</u>	<u>(2,217,954)</u>
<b>Total amount raised from general rates</b>	23	<u>2,216,166</u>	<u>2,217,954</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><b>(534,749)</b></u>	<u><b>0</b></u>
		<u><b>1,282,768</b></u>	<u><b>565,691</b></u>



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

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

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

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

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

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

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

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

**(c) Cash and Cash Equivalents**

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

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

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

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

**(d) Trade and Other Receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

**(e) Inventories**

***General***

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

***Land held for sale***

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

**(f) Fixed Assets**

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

***Mandatory requirement to revalue non-current assets***

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

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

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

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

***Land under control***

In accordance with Local Government (Financial Management) Regulation 16(a), the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

***Initial recognition and measurement between mandatory revaluation dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

***Revaluation***

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

***Land under roads***

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

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

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

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

***Depreciation***

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

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

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

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

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

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

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

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

***Capitalisation threshold***

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

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fair Value of Assets and Liabilities**

When performing a revaluation, the Shire uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

***Fair value hierarchy***

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

***Valuation techniques***

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

**Market approach**

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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

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

**(g) Fair Value of Assets and Liabilities (Continued)**

**Income approach**

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach**

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

**(h) Financial Instruments**

***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

***Classification and subsequent measurement***

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method. □

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

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

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

**(h) Financial Instruments (Continued)**

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

*(i) Financial assets at fair value through profit and loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Impairment***

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

***Derecognition***

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Shire no longer has any significant continual involvement in the risks and benefits associated with the asset. □

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(i) Impairment of Assets**

In accordance with Australian Accounting Standards the Shire's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

**(j) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.



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

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

**(k) Employee Benefits**

**Short-term employee benefits**

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(l) Borrowing Costs**

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

**(m) Provisions**

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

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

**(n) Leases**

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

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

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

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

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

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

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

**(o) Investment in Associates**

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

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

**(q) Rates, Grants, Donations and Other Contributions**

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

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

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

**(r) Superannuation**

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

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

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

**(s) Current and Non-Current Classification**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

**(t) Rounding Off Figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

**(u) Comparative Figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**(v) Budget Comparative Figures**

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

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

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

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

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>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.</p> <p>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.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>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.</p> <p>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.</p>

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations  [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 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 CRANBROOK  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

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

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

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

Notes:

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

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

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net result includes:			
(i) Charging as an expense:			
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	10,500	10,000	
- Other Services	6,350	8,400	
<b>Depreciation</b>			
Buildings - non-specialised	47,852	47,473	
Buildings - specialised	195,705	194,376	
Furniture and equipment	37,469	40,644	
Plant and equipment	517,377	417,640	
Land - freehold	0	2,800	
Infrastructure - roads	982,274	939,334	
Infrastructure - footpaths	11,972	7,731	
Infrastructure - drainage	165,453	2,484	
Infrastructure - other	28,026	16,336	
Infrastructure - bridges	422,998	4,523	
	<u>2,409,126</u>	<u>1,673,342</u>	
<b>Interest expenses (finance costs)</b>			
Debentures (refer Note 22 (a))	35,116	35,771	
	<u>35,116</u>	<u>35,771</u>	
<b>Rental charges</b>			
- Operating leases	9,221	6,610	
	<u>9,221</u>	<u>6,610</u>	
(ii) Crediting as revenue:			
<b>Other revenue</b>			
Other	10,461	5,475	
	<u>10,461</u>	<u>5,475</u>	
	<u>2,409,126</u>	<u>1,673,342</u>	
	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest earnings</b>			
- Reserve funds	38,819	38,823	32,712
- Other funds	5,360	15,000	17,500
Other interest revenue (refer note 28)	22,095	20,200	20,656
	<u>66,274</u>	<u>74,023</u>	<u>70,868</u>



**SHIRE OF CRANBROOK  
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**

The Shire of Cranbrook is dedicated to providing high quality services to the community through the various service oriented programs which it has established.

**COMMUNITY VISION**

That the Shire of Cranbrook is a proactive, sustainable, safe, friendly and prosperous place to be.

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

**GOVERNANCE**

**Objective:**

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

**Activities:**

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

**GENERAL PURPOSE FUNDING**

**Objective:**

To collect revenue to allow for the provision of services.

**Activities:**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

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

**Activities:**

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

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Food quality control, provide and maintain the Cranbrook and Frankland River doctors surgeries.

**EDUCATION AND WELFARE**

**Objective:**

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

**Activities:**

Provide financial assistance for community lunches, facilities to playgroups and other community groups.

**HOUSING**

**Objective:**

To provide and maintain staff and rental housing.

**Activities:**

Provision and maintenance of staff and rental housing.

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

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

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

**COMMUNITY AMENITIES**

**Objective:**

To provide services required by the community.

**Activities:**

Rubbish collection services, operation of rubbish disposal sites, control and co-ordination of cemeteries and storm water drainage maintenance. The administration of the town planning scheme, community services and environmental services.

**RECREATION AND CULTURE**

**Objective:**

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

**Activities:**

Maintenance of public halls, sporting complex, various reserves, art and craft centre, Lake Poorrarecup and Nunijup and operation of the Cranbrook and Frankland River libraries.

**TRANSPORT**

**Objective:**

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

**Activities:**

Construction and maintenance of roads, streets, footpaths, parking facilities.  
Cleaning and lighting of streets, traffic signage and depot maintenance.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

The regulation and provision of tourism, area promotion, building control, noxious weeds, and the operation of the Cranbrook and Frankland River Caravan Parks.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control Shire of Cranbrook's overheads operating accounts.

**Activities:**

Private works operations, plant repair and operation costs and allocation of overheads.

**SHIRE OF CRANBROOK**  
**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 <sup>(1)</sup> 1/07/14 \$	Received <sup>(2)</sup> 2014/15 \$	Expended <sup>(3)</sup> 2014/15 \$	Closing Balance <sup>(1)</sup> 30/06/15 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Closing Balance 30/06/16 \$
AGWA Grant - Town Bore	Community Amenities	2,986	0	(2,986)	0	0	0	0
CLGF Grant	GPF	7,713	0	(7,713)	0	0	0	0
CBH Grant - Stormwater Harvesting	Community Amenities	0	25,000	(20,544)	4,456	0	(4,456)	0
CSRFF Grant - Tenterden Tennis Club	Recreation & Culture	0	49,969	(38,821)	11,148	0	(11,148)	0
R2R - Salt River Road	Transport	0	314,884	(183,135)	131,749	888,782	(1,020,531)	0
Bloom Festival Grant	Economic Services	0	27,273	(1,750)	25,523	0	(25,523)	0
SCNRM Grant - Feral Animal Control	Law Order & Public Safety	0	3,579	(2,456)	1,123	244	(1,367)	0
Kidsport	Recreation & Culture	0	0	0	0	9,000	(7,696)	1,304
<b>Total</b>		<b><u>10,699</u></b>	<b><u>420,705</u></b>	<b><u>(257,405)</u></b>	<b><u>173,999</u></b>	<b><u>898,026</u></b>	<b><u>(1,070,721)</u></b>	<b><u>1,304</u></b>

**Notes:**

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

**(2)** - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

**(3)** - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

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

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		(561,996)	1,082,261
Restricted		<u>2,064,476</u>	<u>1,871,085</u>
		<u>1,502,480</u>	<u>2,953,346</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	12	31,007	30,319
Plant Replacement Reserve	12	336,780	248,756
Building Asset Management Reserve	12	130,925	134,729
Community Associations Financial Assistance Reser	12	27,898	34,707
Office and Sundry Equipment Reserve	12	27,332	16,898
Waste and Water Management Reserve	12	46,868	87,471
Acquisition and Development of Land Reserve	12	86,087	35,036
Frankland River Sporting Facilities Reserve	12	289,092	279,156
Housing Reserve	12	379,284	370,867
Cranbrook Community Hub Reserve	12	121,889	112,072
Community Bus Reserve	12	16,134	12,411
Asset Replacement Fund - Frankland River Bowling	12	43,537	37,682
Asset Replacement Fund - Cranbrook Bowling Greer	12	43,563	37,682
Rate Discount Reserve	12	392,316	259,300
Strategic Community Plan Projects Reserve	12	90,460	0
Unspent grants	2(c)	<u>1,304</u>	<u>173,999</u>
		<u>2,064,476</u>	<u>1,871,085</u>

Note that unrestricted cash has been adversely affected by a long standing WANDRRA claim for works undertaken of \$534,675. Receipt for the claim occurred on 11 August 2016.

**4. INVESTMENTS**

Available-for-Sale Financial Assets		<u>52,447</u>	<u>55,879</u>
At the beginning of the year		55,879	58,666
Revaluation to income statement			
Governance		<u>(3,431)</u>	<u>(2,787)</u>
		<u>(3,431)</u>	<u>(2,787)</u>
At the end of the year		<u>52,448</u>	<u>55,879</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Share in Great Southern Community Financial Services Ltd		5,000	5,000
Units in Local Government House Trust		<u>47,448</u>	<u>50,879</u>
		<u>52,448</u>	<u>55,879</u>

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates outstanding	66,359	62,230
Sundry debtors	117,247	38,775
GST receivable	12,459	23,133
Accrued income	534,675	0
Loans receivable - clubs/institutions	9,814	7,100
	<u>740,554</u>	<u>131,238</u>
<b>Non-current</b>		
Rates outstanding - pensioners	4,191	4,191
Loans receivable - clubs/institutions	29,586	28,400
	<u>33,777</u>	<u>32,591</u>
<b>6. INVENTORIES</b>		
<b>Current</b>		
Fuel and materials	35,190	31,710
	<u>35,190</u>	<u>31,710</u>

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

	2016 \$	2015 \$
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	1,504,249	1,504,249
- Additions after valuation - cost	22,201	22,201
- Disposals after valuation	(80,000)	(80,000)
Less: accumulated depreciation	<u>(2,800)</u>	<u>(2,800)</u>
	1,443,650	1,443,650
Land - vested in and under the control of Council at:		
- Independent valuation 2014 - level 3	<u>145,000</u>	<u>145,000</u>
	145,000	145,000
	<u>1,588,650</u>	<u>1,588,650</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 3	2,412,814	2,412,814
- Additions after valuation - cost	641,121	154,816
- Disposals after valuation	(175,000)	(175,000)
Less: accumulated depreciation	<u>(92,608)</u>	<u>(44,756)</u>
	2,786,327	2,347,874
Buildings - specialised at:		
- Independent valuation 2014 - level 3	9,721,983	9,721,983
- Additions after valuation - cost	218,764	63,430
Less: accumulated depreciation	<u>(390,081)</u>	<u>(194,376)</u>
	9,550,666	9,591,037
	<u>12,336,993</u>	<u>11,938,911</u>
Total land and buildings	<u>13,925,643</u>	<u>13,527,561</u>
Furniture and equipment at:		
- Independent valuation 2016 - level 2	29,985	0
- Independent valuation 2016 - level 3	177,100	0
- Management valuation 2013 - level 3	0	375,318
- Additions after valuation - cost	0	25,265
- Disposals after valuation	0	(5,278)
Less accumulated depreciation	<u>0</u>	<u>(67,711)</u>
	207,085	327,594
Plant and equipment at:		
- Independent valuation 2016 - level 2	2,707,120	0
- Independent valuation 2016 - level 3	910,810	0
- Management valuation 2013 - level 2	0	3,209,756
- Additions after valuation - cost	0	1,268,185
Less accumulated depreciation	<u>0</u>	<u>(691,055)</u>
	3,617,930	3,786,886
	<u>17,750,658</u>	<u>17,642,041</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 CRANBROOK**  
**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	1,443,650	0	0	0	0	0	0	0	1,443,650
Land - vested in and under the control of Council	145,000	0	0	0	0	0	0	0	145,000
<b>Total land</b>	<b>1,588,650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,588,650</b>
Buildings - non-specialised	2,347,874	486,305	0	0	0	0	(47,852)	0	2,786,327
Buildings - specialised	9,591,037	155,334	0	0	0	0	(195,705)	0	9,550,666
<b>Total buildings</b>	<b>11,938,911</b>	<b>641,639</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,557)</b>	<b>0</b>	<b>12,336,993</b>
<b>Total land and buildings</b>	<b>13,527,561</b>	<b>641,639</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,557)</b>	<b>0</b>	<b>13,925,643</b>
Furniture and equipment	327,594	3,345	(542)	(84,870)	(973)	0	(37,469)	0	207,085
Plant and equipment	3,786,886	892,461	(586,427)	42,386	0	0	(517,377)	0	3,617,929
<b>Total property, plant and equipment</b>	<b>17,642,041</b>	<b>1,537,445</b>	<b>(586,969)</b>	<b>(42,484)</b>	<b>(973)</b>	<b>0</b>	<b>(798,403)</b>	<b>0</b>	<b>17,750,658</b>

**SHIRE OF CRANBROOK**  
**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
<b>Land and buildings</b>					
Land - freehold	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuers	June 2014	Price per hectare/market borrowing rate
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuers	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Price per square metre/market borrowing rate
<b>Furniture and equipment</b>					
- Independent valuation 2016	2	Market approach using recent observable market data for similar assets	Independent Registered Valuers	June 2016	Market price per item
- Independent valuation 2016	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and equipment</b>					
- Independent valuation 2016	2	Market approach using recent observable market data for similar assets	Independent Registered Valuers	June 2016	Market price per item
- Independent valuation 2016	3	Cost Approach using depreciated replacement cost	Independent Registered Valuers	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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



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

	2016 \$	2015 \$
<b>8 (a). INFRASTRUCTURE</b>		
Infrastructure - roads		
- Management valuation 2015 - level 3	86,187,304	86,187,304
- Additions after valuation - cost	2,704,258	0
Less accumulated depreciation	<u>(982,274)</u>	<u>0</u>
	87,909,288	86,187,304
Infrastructure - footpaths		
- Management valuation 2015 - level 3	478,879	478,879
Less accumulated depreciation	<u>(11,972)</u>	<u>0</u>
	466,907	478,879
Infrastructure - drainage		
- Management valuation 2015 - level 3	13,236,250	13,236,250
- Additions after valuation - cost	51,306	0
Less accumulated depreciation	<u>(165,453)</u>	<u>0</u>
	13,122,103	13,236,250
Infrastructure - other		
- Independent valuation 2015 - level 3	970,746	970,746
- Additions after valuation - cost	24,882	0
Less accumulated depreciation	<u>(28,026)</u>	<u>0</u>
	967,602	970,746
Infrastructure - bridges		
- Management valuation 2015 - level 3	18,799,920	18,799,920
- Additions after valuation - cost	260,000	0
Less accumulated depreciation	<u>(422,998)</u>	<u>0</u>
	18,636,922	18,799,920
	<u>121,102,822</u>	<u>119,673,099</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 CRANBROOK**  
**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	86,187,304	2,704,258	0	0	0	0	(982,274)	0	87,909,288
Infrastructure - footpaths	478,879	0	0	0	0	0	(11,972)	0	466,907
Infrastructure - drainage	13,236,250	51,306	0	0	0	0	(165,453)	0	13,122,103
Infrastructure - other	970,746	24,882	0	0	0	0	(28,026)	0	967,602
Infrastructure - bridges	18,799,920	260,000	0	0	0	0	(422,998)	0	18,636,922
<b>Total infrastructure</b>	<b><u>119,673,099</u></b>	<b><u>3,040,446</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(1,610,723)</u></b>	<b><u>0</u></b>	<b><u>121,102,822</u></b>

**SHIRE OF CRANBROOK  
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
<b>Infrastructure - roads</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - footpaths</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - drainage</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - other</b>	3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - bridges</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	175,220	99,492
Accrued interest on debentures	3,351	3,694
Accrued salaries and wages	37,474	23,779
ATO liabilities	26,742	26,154
	<u>242,787</u>	<u>153,119</u>

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by floating charge		
Debentures	84,094	79,630
	<u>84,094</u>	<u>79,630</u>
<b>Non-current</b>		
Secured by floating charge		
Debentures	452,698	536,809
	<u>452,698</u>	<u>536,809</u>

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

	<b>Provision for Annual &amp; Sick Leave</b>	<b>Provision for Long Service Leave</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance at 1 July 2015</b>			
Current provisions	128,651	126,327	254,978
Non-current provisions	0	47,815	47,815
	<u>128,651</u>	<u>174,142</u>	<u>302,793</u>
Additional provision	13,535	(3,901)	9,634
<b>Balance at 30 June 2016</b>	<u>142,186</u>	<u>170,241</u>	<u>312,427</u>
<b>Comprises</b>			
Current	142,186	123,156	265,342
Non-current	0	47,085	47,085
	<u>142,186</u>	<u>170,241</u>	<u>312,427</u>

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

**12. RESERVES - CASH BACKED**

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Leave Reserve	30,319	688	0	31,007	30,319	728	0	31,047	29,547	772	0	30,319
Plant Replacement F	248,756	88,024	0	336,780	248,756	22,740	0	271,496	212,580	36,176	0	248,756
Building Asset Mana	134,729	3,023	(6,827)	130,925	134,729	3,233	0	137,962	134,210	3,512	(2,993)	134,729
Community Associati	34,707	12,191	(19,000)	27,898	34,707	4,333	(1,000)	38,040	29,804	4,903	0	34,707
Office and Sundry Ec	16,898	10,434	0	27,332	16,898	10,406	0	27,304	16,467	431	0	16,898
Waste and Water Ma	87,471	1,883	(42,486)	46,868	87,471	2,099	(40,000)	49,570	85,244	2,227	0	87,471
Acquisition and Deve	35,036	51,051	0	86,087	35,036	50,841	(5,521)	80,356	25,048	30,710	(20,722)	35,036
Frankland River Spo	279,156	9,936	0	289,092	279,157	10,300	0	289,457	268,519	10,637	0	279,156
Housing Reserve	370,867	8,417	0	379,284	370,867	8,901	0	379,768	121,574	294,732	(45,439)	370,867
Cranbrook Communi	112,072	9,817	0	121,889	112,072	781	(112,853)	0	109,219	2,853	0	112,072
Community Bus Rese	12,411	3,723	0	16,134	12,411	3,458	0	15,869	9,244	3,167	0	12,411
Asset Replacement f	37,682	5,855	0	43,537	37,682	7,904	0	45,586	29,860	7,822	0	37,682
Asset Replacement f	37,682	5,881	0	43,563	37,682	7,904	0	45,586	29,860	7,822	0	37,682
Rate Discount Reser	259,300	182,985	(49,969)	392,316	259,300	183,579	(263,127)	179,752	86,384	172,916	0	259,300
Strategic Community	0	90,460	0	90,460	0	90,000	0	90,000	0	0	0	0
	<u>1,697,086</u>	<u>484,368</u>	<u>(118,282)</u>	<u>2,063,172</u>	<u>1,697,087</u>	<u>407,209</u>	<u>(422,501)</u>	<u>1,681,795</u>	<u>1,187,560</u>	<u>578,680</u>	<u>(69,154)</u>	<u>1,697,086</u>

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

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
Leave Reserve	Ongoing	To be used to fund long service leave, paid parental leave scheme or annual leave requirements
Plant Replacement Reserve	Ongoing	To be used for the replacement of major plant and equipment
Building Asset Management Reser	Ongoing	To be used to fund major asset maintenance requirements on Council owned public buildings
Community Associations Financial	Ongoing	To be used in the provision of interest free loans to community organisations
Office and Sundry Equipment Rese	Ongoing	To be used for the acquisition or replacement of office and sundry equipment and furniture
Waste and Water Management Res	Ongoing	To be used for the establishment and/or improvements of waste and water sites
Acquisition and Development of Lar	Ongoing	To be used for the acquisition and development of land
Frankland River Sporting Facilities	Ongoing	To be used for the upgrading of sporting facilities in Frankland River
Housing Reserve	Ongoing	To be used for funding the building of new and major maintenance of Council housing
Cranbrook Community Hub Reser	2016/2017	To be used to assist with funding the fitout of the new Community Hub in Cranbrook
Community Bus Reserve	Ongoing	To be used for the purchase of future community buses
Asset Replacement Fund - Franklar	Ongoing	To be used for the replacement of the synthetic bowling green at Frankland River
Asset Replacement Fund - Cranbro	Ongoing	To be used for the replacement of the synthetic bowling green at Cranbrook
Rate Discount Reserve	Ongoing	To be used for assisting to fund improvements to existing and new community facilities
Strategic Community Plan Projects	Ongoing	To be used for assisting to fund projects identified in the Strategic Community Plan

**SHIRE OF CRANBROOK**  
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**FOR THE YEAR ENDED 30TH JUNE 2016**

**13. REVALUATION SURPLUS**

	<b>2016 Opening Balance</b>	<b>2016 Revaluation Increment</b>	<b>2016 Revaluation Decrement</b>	<b>2016 Total Movement on Revaluation</b>	<b>2016 Closing Balance</b>	<b>2015 Opening Balance</b>	<b>2015 Revaluation Increment</b>	<b>2015 Revaluation Decrement</b>	<b>2015 Total Movement on Revaluation</b>	<b>2015 Closing Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land and buildings	3,929,693	0	0	0	3,929,693	4,087,746	0	(158,053)	(158,053)	3,929,693
Furniture and equipment	84,870	0	(84,870)	(84,870)	0	87,449	0	(2,579)	(2,579)	84,870
Plant and equipment	301,834	42,386	0	42,386	344,220	314,667	0	(12,833)	(12,833)	301,834
Infrastructure - roads	61,664,437	0	0	0	61,664,437	33,174,579	28,489,858	0	28,489,858	61,664,437
Financial Assets	46,240	0	(3,431)	(3,431)	42,808	49,027	0	(2,787)	(2,787)	46,240
	<b>66,027,074</b>	<b>42,386</b>	<b>(88,301)</b>	<b>(45,915)</b>	<b>65,981,158</b>	<b>37,713,468</b>	<b>28,489,858</b>	<b>(176,252)</b>	<b>28,313,606</b>	<b>66,027,074</b>

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

**14. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and cash equivalents	<u>1,502,480</u>	<u>1,881,795</u>	<u>2,953,346</u>

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

Net result	724,285	2,002,609	1,974,145
Non-cash flows in Net result:			
Depreciation	2,409,126	1,759,170	1,673,342
(Profit)/Loss on sale of asset	83,466	39,200	(7,245)
Loss on revaluation of fixed assets	973	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(606,602)	3,717	17,458
(Increase)/Decrease in inventories	(3,480)	1,710	5,156
Increase/(Decrease) in payables	89,668	1,494	48,692
Increase/(Decrease) in provisions	9,634	(54,978)	56,439
Grants contributions for the development of assets	<u>(2,761,223)</u>	<u>(3,305,526)</u>	<u>(1,738,980)</u>
Net cash from operating activities	<u>(54,154)</u>	<u>447,396</u>	<u>2,029,007</u>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	5,000	5,000
Credit card balance at balance date	<u>(1,028)</u>	<u>(695)</u>
<b>Total amount of credit unused</b>	<u>3,972</u>	<u>4,305</u>
<b>Loan facilities</b>		
Loan facilities - current	84,094	79,630
Loan facilities - non-current	<u>452,698</u>	<u>536,809</u>
<b>Total facilities in use at balance date</b>	<u>536,792</u>	<u>616,439</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>

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

**15. CONTINGENT LIABILITIES**

The Council has no contingent liabilities as at 30 June 2016

<b>16. CAPITAL AND LEASING COMMITMENTS</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	9,292	8,864
- later than one year but not later than five years	18,584	26,593
- later than five years	0	0
	<u>27,876</u>	<u>35,457</u>

**(b) Capital Expenditure Commitments**

Contracted for:		
- capital expenditure projects	295,251	106,364
- plant & equipment purchases	0	0
Payable:		
- not later than one year	295,251	106,364

The capital expenditure project outstanding at the end of the 2015 reporting period represents the construction of the new clubrooms for the Tenterden Tennis Club.

The capital expenditure project outstanding at the end of the 2016 reporting period represents the construction of three new Independent Living Units in Cranbrook.

**17. JOINT VENTURE ARRANGEMENTS**

The Shire is not involved in any joint venture arrangements.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	3,745,491	3,873,602
Law, order, public safety	1,375,720	1,246,376
Community amenities	1,934,689	1,710,608
Recreation and culture	7,645,044	7,618,414
Transport	120,364,490	119,213,909
Economic services	1,179,917	1,200,741
Other property and services	2,608,130	2,451,489
Unallocated	2,364,448	3,204,766
	<u>141,217,929</u>	<u>140,519,905</u>



**SHIRE OF CRANBROOK**  
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**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>19. FINANCIAL RATIOS</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current ratio	0.28	2.72	1.59
Asset sustainability ratio	1.49	1.62	1.50
Debt service cover ratio	3.55	17.49	9.08
Operating surplus ratio	(0.73)	0.08	(0.24)
Own source revenue coverage ratio	0.44	0.59	0.48

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 59 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 \$650,813

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

	<b>2016</b>	<b>2015</b>
Debt service cover ratio	9.22	11.63
Operating surplus ratio	(0.50)	(0.09)

**SHIRE OF CRANBROOK  
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:

	<b>1 July 2015 \$</b>	<b>Amounts Received \$</b>	<b>Amounts Paid (\$)</b>	<b>30 June 2016 \$</b>
Staff Housing Bonds	2,498	2,268	(2,856)	1,910
DoT Licensing	2,145	314,118	(316,424)	(161)
Housing Deposit - Frahm	2,500	0	0	2,500
Housing Deposit - Challenor	2,500	0	0	2,500
Nomination Deposits	0	480	(480)	0
	<u>9,643</u>			<u>6,749</u>

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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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 \$
<b>Plant and Equipment</b>								
<b>Governance</b>								
Holden Caprice	41,136	37,692	0	(3,444)	40,000	37,750	0	(2,250)
Holden Caprice	37,325	38,612	1,287	0	40,000	37,750	0	(2,250)
Holden Caprice	40,338	41,879	1,541	0	0	0		
Holden Colorado 7	35,075	31,589	0	(3,486)	33,500	33,250	0	(250)
Holden Colorado 7	32,582	32,223	0	(359)	33,500	33,250	0	(250)
Holden Colorado 7	30,457	31,976	1,519	0	33,500	33,250	0	(250)
Holden Colorado 7	0	0	0	0	33,500	33,250	0	(250)
<b>Transport</b>								
Holden Colorado 7	35,532	33,636	0	(1,895)	33,500	33,250	0	(250)
Holden Colorado 7	34,271	32,514	0	(1,757)	33,500	33,250	0	(250)
Holden Colorado Dual Cab	34,290	32,288	0	(2,002)	33,500	32,500	0	(1,000)
Holden Colorado Dual Cab	33,017	32,364	0	(653)	33,500	32,500	0	(1,000)
Holden Colorado Ute	23,213	21,364	0	(1,849)	22,000	21,500	0	(500)
Holden Colorado Dual Cab	28,710	25,212	0	(3,498)	28,000	25,200	0	(2,800)
Holden Colorado Ute	22,788	22,091	0	(697)	22,000	22,100	100	0
Holden Colorado Ute	24,592	22,273	0	(2,319)	22,000	22,300	300	0
Isuzu Fire Unit	10,874	0	0	(10,874)	0	0	0	0
CAT Skid Steer Loader	23,108	20,000	0	(3,108)	22,000	15,000	0	(7,000)
Amman Multi-tyre Roller	42,529	5,344	0	(37,185)	42,000	40,000	0	(2,000)
Bonne Road Broom	16,175	4,772	0	(11,403)	18,500	1,000	0	(17,500)
Toro Ride-on Mower	6,364	1,000	0	(5,364)	6,000	1,000	0	(5,000)
Toro Reelmaster Mower	14,400	12,000	0	(2,400)	14,000	12,000	0	(2,000)
9000L W/Tank	795	3,151	2,355	0	800	2,000	1,200	0
Evertrans Machinery Trailer	9,193	15,516	6,323	0	10,000	15,000	5,000	0
Evertrans Dolly (Float)	5,874	4,420	0	(1,454)	6,000	5,000	0	(1,000)
Flexliner Mobile Cement Mixe	319	273	0	(47)	0	0	0	0
9000L Water Cart	708	1,316	608	0	0	0	0	0
Rover 45 Reel Mower	907	0	0	(907)	0	0	0	0
Two Way Radio	43	0	0	(43)	0	0	0	0
Two Way Radio	43	0	0	(43)	0	0	0	0
Skid Steer Auger Attachment	1,771	0	0	(1,771)	0	0	0	0
<b>Furniture and Equipment</b>								
<b>Governance</b>								
Portable Mipro PA System	542	0	0	(542)	0	0	0	0
Dell Vostro Computer	0	0			0	0	0	0
Dell Vostro Computer	0	0			0	0	0	0
Dell Vostro Computer	0	0			0	0	0	0
	<u>586,968</u>	<u>503,503</u>	<u>13,633</u>	<u>(97,099)</u>	<u>561,300</u>	<u>522,100</u>	<u>6,600</u>	<u>(45,800)</u>

**SHIRE OF CRANBROOK  
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**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2015		Loans	Repayments Actual	Budget	30 June 2016 Actual	Budget	Repayments Actual
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Housing</b>								
Loan 75 - Currie St Units	186,041	0	29,419	29,418	156,622	156,623	12,157	12,376
Loan 77 - Staff Housing	275,364	0	25,696	25,696	249,668	249,668	12,845	13,528
<b>Recreation and culture</b>								
Loan 76 - Frederick Square Amenities	155,033	0	24,532	24,515	130,501	130,518	10,114	10,230
<b>Other property and services</b>								
	616,438	0	79,647	79,630	536,791	536,808	35,116	36,134
<b><u>Self Supporting Loans</u></b>								
	616,438	0	79,647	79,630	536,791	536,808	35,116	36,134

All loan repayments were financed by general purpose revenue.

**SHIRE OF CRANBROOK  
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FOR THE YEAR ENDED 30TH JUNE 2016**

**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

The Council has no overdraft arrangements in place.

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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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 \$
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
Gross Rental Value	0.1070	245	2,099,162	224,631	(732)	0	223,900	224,631	1,000	0	225,631
<b>Unimproved value valuations</b>											
Unimproved Value	0.0089	437	213,413,500	1,894,046	(780)	0	1,893,266	1,893,323	0	0	1,893,323
<b>Sub-Total</b>		682	215,512,662	2,118,677	(1,511)	0	2,117,166	2,117,954	1,000	0	2,118,954
<b>Minimum payment</b>											
<b>Minimum \$</b>											
<b>Gross rental value valuations</b>											
Gross Rental Value	550	144	236,872	79,200	0	0	79,200	79,200	0	0	79,200
<b>Unimproved value valuations</b>											
Unimproved Value	550	36	967,504	19,800	0	0	19,800	19,800	0	0	19,800
<b>Sub-Total</b>		180	1,204,376	99,000	0	0	99,000	99,000	0	0	99,000
<b>Total amount raised from general rate</b>											
							<b>2,216,166</b>			<b>2,217,954</b>	
Ex-gratia rates											
							27,876			27,876	
<b>Totals</b>											
							<u>2,244,042</u>			<u>2,245,830</u>	

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**24. NET CURRENT ASSETS**

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	<u>(534,749)</u>	<u>1,282,768</u>	<u>1,282,768</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	(561,996)	1,082,261	1,082,261
Restricted	2,064,476	1,871,085	1,871,085
Receivables			
Rates outstanding	66,359	62,230	62,230
Sundry debtors	117,247	38,775	38,775
GST receivable	12,459	23,133	23,133
Loans receivable - clubs/institutions	9,814	7,100	7,100
Inventories			
Fuel and materials	35,190	31,710	31,710
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(175,220)	(99,492)	(99,492)
Accrued interest on debentures	(3,351)	(3,694)	(3,694)
ATO liabilities	(26,742)	(26,154)	(26,154)
Current portion of long term borrowings			
Secured by floating charge	(84,094)	(79,630)	(79,630)
<b>Unadjusted net current assets</b>	<u><b>1,454,143</b></u>	<u><b>2,907,324</b></u>	<u><b>2,907,324</b></u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(2,063,172)	(1,697,086)	(1,697,086)
Less: Loans receivable - clubs/institutions	(9,814)	(7,100)	(7,100)
Add: Secured by floating charge	84,094	79,630	79,630
<b>Adjusted net current assets - surplus/(deficit)</b>	<u><u><b>(534,749)</b></u></u>	<u><u><b>1,282,768</b></u></u>	<u><u><b>1,282,768</b></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 CRANBROOK  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

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

The Shire did not impose any Specified Area Rates.

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

The Shire did not impose any service charges.

**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
		0	0	

**Waivers or Concessions**

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual \$	Budget \$	Circumstances in which the Waiver or Concession is Granted and to whom it was available
Sundry Debtors	Write Off	N/A	1,748	0	Sundry Debtor interest written off as per Council policy and resolutions
Rate Assessments	Write Off	N/A	114	500	Rate Debtor interest written off as per Council policy
			<u>1,862</u>	<u>500</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



**SHIRE OF CRANBROOK  
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**28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>
<b>Instalment Options</b>				
<b>Option One</b>				
Single full payment	07-Sep-15			11.00%
<b>Option Two</b>				
First Instalment	07-Sep-15			11.00%
Second Instalment	05-Jan-16	5	5.50%	11.00%
<b>Option Three</b>				
First Instalment	07-Sep-15			
Second Instalment	09-Nov-15	5	5.50%	11.00%
Third Instalment	05-Jan-16	5	5.50%	11.00%
Fourth Instalment	07-Mar-16	5	5.50%	11.00%
			<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Interest on unpaid rates			14,453	11,000
Interest on instalment plan			8,897	9,000
Charges on instalment plan			2,010	2,500
Interest on sundry debtors			(1,255)	200
			<u>24,105</u>	<u>22,700</u>

**SHIRE OF CRANBROOK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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<b>29. FEES &amp; CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	970	449
General purpose funding	3,268	7,975
Law, order, public safety	10,615	9,841
Health	1,480	1,373
Housing	63,039	67,064
Community amenities	79,095	71,510
Recreation and culture	6,611	7,132
Transport	15,818	17,364
Economic services	102,558	114,940
Other property and services	44,018	42,651
	<u>327,472</u>	<u>340,299</u>

The Council adopted new fees for microchipping animals that came into effect on 22 October 2015.

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	17,399	21,186
General purpose funding	630,097	1,938,666
Law, order, public safety	67,036	53,204
Health	2,600	2,600
Education and welfare	2,310	7,485
Housing	2,822	760
Community amenities	12,072	8,454
Recreation and culture	31,925	36,896
Transport	670,964	166,467
Economic services	49,354	79,671
Other property and services	71,590	105,255
	<u>1,558,169</u>	<u>2,420,644</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	0	360,705
Community amenities	482,805	176,002
Recreation and culture	49,969	49,969
Transport	2,228,449	1,152,304
	<u>2,761,223</u>	<u>1,738,980</u>
	<u>4,319,392</u>	<u>4,159,624</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

26	26
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**32. ELECTED MEMBERS REMUNERATION**

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

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Meeting Fees	50,000	50,000	50,000
President's allowance	6,000	6,000	6,000
Deputy President's allowance	1,500	1,500	1,500
Travelling expenses	0	500	0
Telecommunications allowance	6,000	6,000	6,000
	<u>63,500</u>	<u>64,000</u>	<u>63,500</u>

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

**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**

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

**SHIRE OF CRANBROOK  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**35. FINANCIAL RISK MANAGEMENT**

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

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

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

*The Shire held the following financial instruments at balance date:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,502,480	2,953,346	1,502,480	2,953,346
Investments	52,448	55,879	52,448	55,879
Receivables	774,331	163,829	774,331	163,829
	<u>2,329,259</u>	<u>3,173,054</u>	<u>2,329,259</u>	<u>3,173,054</u>
<b>Financial liabilities</b>				
Payables	242,787	153,119	242,787	153,119
Borrowings	536,792	616,439	485,631	552,957
	<u>779,579</u>	<u>769,558</u>	<u>728,418</u>	<u>706,076</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.
- Investments, based on quoted market prices at the reporting date or at independent valuation.

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

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

**(a) Cash and Cash Equivalents**

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

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- Equity	5,245	5,588
- Statement of Comprehensive Income	5,245	5,588
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	15,025	29,533
- Statement of Comprehensive Income	15,025	29,533

**Notes:**

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

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

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

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

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	86%	89%
- Overdue	14%	11%

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

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

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

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2016</u></b>					
Payables	242,787	0	0	242,787	242,787
Borrowings	111,563	409,134	111,972	632,669	536,792
	<u>354,350</u>	<u>409,134</u>	<u>111,972</u>	<u>875,456</u>	<u>779,579</u>
<b><u>2015</u></b>					
Payables	153,119	0	0	153,119	153,119
Borrowings	111,563	446,254	186,415	744,232	616,439
	<u>264,682</u>	<u>446,254</u>	<u>186,415</u>	<u>897,351</u>	<u>769,558</u>

**SHIRE OF CRANBROOK  
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:

	<u>&lt;1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	536,792	536,792	5.28%
Weighted average Effective interest rate						5.28%		
<b><u>Year ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	616,439	616,439	5.28%
Weighted average Effective interest rate						5.28%		



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

**RATIO INFORMATION**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset consumption ratio	0.99	0.99	0.93
Asset renewal funding ratio	1.09	1.07	1.07

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