



SHIRE OF SANDSTONE
SERVE THE PEOPLE

Annual Report 2015/2016



Heritage Cottage built in 1923-24 by a local pastoralist

December 2016

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SHIRE OF SANDSTONE
23 HACK STREET
SANDSTONE WA 6639

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TEL: (08) 9963 5802 FAX: (08) 9963 5852

Shire Statistics

Population	113 (ABS Census 2011)
Number of Electors	70
Number of Dwellings	51
Distance from Perth (km)	724
Area (sq km)	32,889
Suburbs and Localities	Sandstone
Library	Hack Street
Length of Sealed Roads (km)	11
Length of Unsealed Roads (km)	891
Rates Levied	\$981,003 (2015/16)
Total Revenue	\$6,337,706 (2015/16)
Council Employees	19

Tourist Attractions

Heritage Trail including London Bridge, Brewery, Old State Battery and Contradiction Well, wildflowers, gold prospecting, natural landscapes, flora and fauna, Peter Denny Lookout



Local Industries

Tourism, pastoral stations

Significant Local Events

Sandstone Open Golf Weekend (2nd weekend of September), Community Christmas Party, Australia Day, Anzac Day



SHIRE OF SANDSTONE

2014-2015 ANNUAL GENERAL MEETING OF ELECTORS - MINUTES

The Annual General Meeting of Electors was held in the Council Chambers, Hack Street, Sandstone on **Monday 8 February 2016** commencing at 4.00pm

Order of Business

1.0 Opening of the Annual Electors Meeting by the Shire President.

The Shire President opened the meeting at 4:00PM.

2.0 Attendance and apologies

Attendance

Cr Beth Walton, Shire President
Cr Kerry Key
Cr Freda May
Sean Fletcher, Acting CEO
Rhonda Miles, Finance Officer
Rob Moss, Works Supervisor
Gina Gloede
Margie Lundy
Chris Mack

Apologies

Cr Carol Hodshon, Deputy Shire President
Vicki Thomson

3.0 Confirmation of the minutes of the General Meeting of Electors held on Saturday 13 December 2014

Moved: Cr Key

Seconded: Cr May

That the minutes of the meeting held on 13 December 2014 are confirmed as a true and correct record of proceedings

UNANIMOUS

4.0 Adoption of the Annual Report 2014/15

Moved: Cr May
Seconded: R Miles

That the Annual Report for 2014/2015 is adopted as presented

UNANIMOUS

5.0 General Business

5.1 Questions Received by the CEO

The Shire President advised that two written questions have been received by the Acting CEO from the community regarding the noise generated by the new power plant on Griffith Street and the lack of response from Contract Power in resolving their concerns:

- Margie Lundy
- Chris Mack/Fiona Mather

The meeting heard from Mr Mack, Ms Lundy regarding their concerns and actions they have taken in this matter including the logging of the noise made by the power plant and being in contact with Leon Hodge (Contract Power).

Mr Fletcher advised the meeting that he has spoken to Mr Hodge regarding the matter. In particular, Mr Hodge advised that Contract Power will, after the warm weather (April, May or June 2016), install a fence between the switchroom and the yard. The fence would be either colourbond or concrete.

Mr Mack responded that if the fencing was directed west, then this would solve the problem.

The Shire President concluded by confirming that the power plant meets the requirements regarding noise. If there were further concerns regarding noise after this point that perhaps the matter is addressed to the local member.

5.2 Proposal Regarding Expansion of Services – Visitors Centre

Ms Lundy raised whether it was appropriate to address the meeting regarding her proposal concerning the possible relocation of the Visitor's Centre. In particular Ms Lundy commented that the collection of historical items was

spread throughout the Town and in order to display it properly, we need more space.

Ms Gloede also commented that Sandstone was no longer a thriving town. Perhaps we do need to relook at how we do these things.

The Shire President advised the meeting that there will be a community meeting in March to discuss the matter regarding the Town Hall in accordance with the Shire's Strategic Community Plan, which was the appropriate course of action concerning this matter.

Mr Fletcher asked Ms Lundy when she would be available to attend such a meeting. Ms Lundy responded she was back in town after the 19 March 2016.

6.0 Closure of Meeting

The Shire President thanked everyone for attending the annual meeting of electors and closed the meeting at 4:19PM.

President's Report

I am pleased to present the Shire of Sandstone's Annual Report for the financial year 2015-2016.

This year has provided some challenges due to staff changes but also the opportunities to see some very worthwhile projects completed.



At The October 2015 elections two new councillors were elected, Cr Freda May and Cr Kerry Key. The outgoing councillors were Cr David McQuie and Cr Danny Murat. In 2016 due to the resignation of Cr Alan Bloor, Cr John Bennett was elected to council. I would like to acknowledge and thank the outgoing councillors for their time, support and commitment whilst they were on council.

November saw the new Shire Administration building opened by Vince Catania MLA. This was well attended by the community and visitors from other towns. It was great to have three former Shire of Sandstone CEO's attending this event. One of those being Bill Atkinson who was the CEO at Sandstone when the idea for this project was first proposed over 6 years ago.

This building will be a significant community asset and will cater for the needs of Sandstone residents and visitors for many generations. It has disability access right throughout and provides a very pleasant, effective working environment for the office staff and room for growth if there is a need for more staff in the future. The Shire was able to deliver this project without borrowing due to good existing cash backed reserves and a substantial grant from Royalties for Regions. This project sends a positive message that Sandstone is a progressive place to live and that we have a strong future to look forward to.

The Caravan Park was once again extremely busy from April to October and at times not enough bays to accommodate every visitor. With tourism being such an important part of our economy we will be looking at more bays in the future and an RV friendly area. The monthly reports from the Museum Visitor Centre continue to show very positive comments from visitors from all over Australia and overseas about much they have enjoyed our clean, tidy town and caravan park.

There has been some major flood damage works carried out by All Track Contractors on our roads, which at times has been tough going due to good rains in the earlier months of 2016. These works will be completed in the new financial year.

Australia Day Breakfast was enjoyed by many of the locals as were the games and activities afterwards, with everyone joining in and having fun. The Anzac Day Ceremony was once again very well attended by residents and those visiting the town, showing how important this day is to everyone.

Thank you to my fellow Councillors and Council Staff for their support and efforts throughout the year. I look forward to 2016/2017 as we work towards the best outcomes for the ratepayers and residents of Sandstone.

BETH WALTON
SHIRE PRESIDENT



Chief Executive Officer Report

President, Councillor and Electors and Community Members,

It is with pleasure I present the CEO report on activities for the 2015/2016 financial year.

Finance

RATES

The 2015/2016 Annual Budget was adopted by Council at the August Council Meeting with an increase in rate revenue of approximately 2.5%. This increase was necessary to meet rising costs in most areas of Council activities. Minor changes were made to rubbish collection charges and the minimum rates charged by Council.

RESERVE FUNDS

Council continues to maintain healthy reserve accounts to help with major projects and plant and equipment purchases. As at 30 June 2016 the balance in the Reserve Accounts was \$5,064,017 comprised as listed below:

Housing Reserve	\$ 569,187
Building Reserve	\$1,860,596
Plant Reserve	\$1,083,634
Employee Entitlements Reserve	\$ 203,878
Airport Reserve	\$ 170,088
Road & Flood Damage Reserve	\$ 598,812
Information Technology Reserve	\$ 72,343
Refuse Disposal Reserve	\$ 56,696
Community Development Projects Reserve	\$ 448,783
TOTAL	\$5,064,017

LOAN LIABILITY

As at 30 June, 2016 Council had no loan liabilities.

AUDIT

The Annual Audit was conducted during November 2016 and a copy of the report is included within this Annual Report. There was only one minor administrative item of non compliance noted in the Audit Report that needed to be brought to the attention of Council. It is again a credit to the administration staff that this result was achieved.

GRANT FUNDING

As a part of the regional component of the Country Local Government Fund Council, in partnership with the Shires of Cue and Mount Magnet received funding to build a new staff house. This project was completed at the end of 2015/2016.

Council's general purpose and road grants through the WA Local Government Grants Commission are invaluable to Shire of Sandstone and smaller country local governments. This year Sandstone received a total of \$1,914,432 of which \$750,520 in general purpose grants and \$228,722 in road grants were paid in advance in June 2015. There was no advance payment in 2016 so actual cash grants received in 2015/16 was \$935,190.

An allocation of \$250,000 was received from Main Roads WA to help with the upgrade of the Paynes Find Road. The Federal Government Roads to Recovery Program allocation of \$1.3m was utilised to build the 3 concrete flood ways on the Paynes Find – Sandstone Road in this year.

The Shire received a total of \$4.95m from WANDRRA for flood damage works to most roads across the region. Without this funding to assist after flooding events it would be almost impossible to restore our roads to the quality they are.

The Royalties for Regions – Country Local Government Fund has been restructured and direct grants to Sandstone will not occur in the future however grants will be available on a competitive basis.

Staff

We have again had a fairly steady workforce during 2015/2016 and they have undertaken projects and completed them to a high standard whilst continuing the high level of maintenance works as well. The comments and feedback we receive on how lovely the town looks is testament to the hard work put in by all staff.

Projects

During the year a number of projects were undertaken including:

- Construction of 2 new footpaths.
- Purchase of a new Drum Roller and Bobcat Loader.
- Maintenance work on the Chapel and Old Cottage
- Continuation of development of a new Town Planning Scheme
- Continuation of review of the Local Laws.
- Completion of the new house funded by CLGF.
- Construction of carpark and carports at shire Administration centre
- Planning works completed for the expansion of the bio remediation cell and physical works completed in 2015/2016.

Road Works

Resealing of the town streets

The construction of 3 concrete floodways at Warne River, Narndee Creek and Dairy Creek were completed on the Paynes Find -Sandstone Road with major drainage improvements.

Formation improvements and re- sheeting has been carried out on the Sandstone – Menzies Roads.

Re-sheeting works have been undertaken on the Sandstone – Meekatharra Road.

Town Works

Continued works were carried on out the gardens in town and fantastic comments have been left about how lovely the town looks.

Plant Replacement

Major Plant

Drum Roller

Skid Steer Loader (bobcat)

Minor Plant

Landcruiser Wagon

Landcruiser Ute



I would like to sincerely thank the outside crew for the works that they have completed this year the work they have undertaken has been quite an achievement given the size of the projects budgeted.

Statutory Reports

1. STRATEGIC PLAN

Council had prepared and adopted the following plans:

Community Strategic Plan
Asset Management Plan
Long Term Financial Plan
Work Force Plan
Corporate Business Plan

as a part of the legislative requirements for local governments to enter into an integrated planning process.

No significant changes have been made to these plans during 2015/2016.

2. FREEDOM OF INFORMATION

The Shire of Sandstone has a requirement to comply with the Freedom of Information Act.

During the 2015/16 financial year no applications were received for information under the terms of this legislation.

5. RECORD KEEPING PLAN

The State Records Act 2000 requires that the Shire of Sandstone maintains and disposes of all records in the prescribed manner. During 2015/16 a revised Record Keeping Plan was adopted by Council and submitted to the State Records Commission for approval. The plan was subsequently approved by the State Records Office.

Council is continuing to utilise an electronic record keeping system and formally archiving old records. A new Record Keeping Plan has been prepared and approved by the State Records Office.

In accordance with State Records Commission Standard 2 – Principle 6 compliance with the Record Keeping Plan the following is reported:

Rationale:

An organisation and its employees must comply with the organisation's Record Keeping Plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The Record Keeping Plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's Record Keeping System is evaluated not less than once every 5 years
2. The organisation conducts a Record Keeping Training Program.
3. The efficiency and effectiveness of the Record Keeping Training Program is reviewed from time to time.

4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's Record Keeping Plan.

The Shire has complied with items 1 to 4.

6. PUBLIC INTEREST DISCLOSURES

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

Council has complied with all obligations under the Act including:

- a) appointing the Chief Executive Officer as the PID Officer for the organisation and publishing an internal procedure relating to the Shire's obligations.
- b) providing protection from detrimental action or the threat of detrimental action for any employee of the Shire who makes an appropriate disclosure of public interest information.

There were no matters raised or reported during the year under review.

7. LEGISLATIVE REVIEW

All Local Governments are required to assess which of their Local Laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome.

The Annual Report is to include a statement of which Local Laws that have been reviewed, the conclusions of those reviews, and a forward strategy for all Local Laws still to be reviewed.

A review of the local laws commenced in 2014/2015 and will be concluded in 2015/2016.

8. STRUCTURAL REFORM

The Shire of Sandstone did not privatise any activities during 2015/16.

A major review of the strategic plans was undertaken in 2015/2016.

9. DISABILITY ACCESS AND INCLUSION PLAN

The Disability Services Act 1993 was amended in December 2004, creating a requirement for public authorities to develop and implement Disability Access and Inclusion Plans (DAIPs). These plans had to be fully developed by July 2007, and replaced and built on the achievements of Disability Service Plans (DSPs).

Council adopted a revised DAIP in September 2012 covering the period 2012 – 2016. Work commenced on the next revision. Council is required to report on our present activities as they relate to the seven DAIP outcomes.

1. Council is continually adapting our existing services to give people with disability the same opportunities as other people to access the services of, and any events organised by the Shire.
2. Council also continues with improvement to buildings and footpath infrastructure to assist both wheelchair and gopher access.
3. Wherever possible people with disability can receive information from the Shire in a format that will enable them to access the information as readily as other people are able to access it. This includes a comprehensive website and the ability to change documents to large front size.
4. The Staff are always encouraged to be aware of the needs of people with disability to ensure they receive the same level and quality of service as other people receive. We are also working with our contractors to ensure they are aware of their responsibilities.
5. People with disability have the same opportunities as other people to make complaints to the staff, this can be via written letters, email, SMS or verbally.
6. Council provides many ways for people to participate in public consultation and we are more than happy to discuss any grievances community members may have regarding the services available to the disabled.
7. People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Sandstone.

The Shire of Sandstone has adopted a revised **Disability Access and Inclusion Plan** that meets the requirements of the Disability Services Act. The Plan assists in the provision and allocation of resources to improve access and delivery of services for people with disability. Existing facilities in the Shire are reviewed and assessed continually to allow for improved access for all persons in the community. Council has installed several new pram ramps at intersections around town and has plans to construct new footpaths in the townsite.

10. EMPLOYEES REMUNERATION

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

Salary Range	2016	2015
\$		
140,000 – 149,999	1	1

11. There were no entries made that required recording in the complaints register under section 5.121 of the Local Government Act 1995.

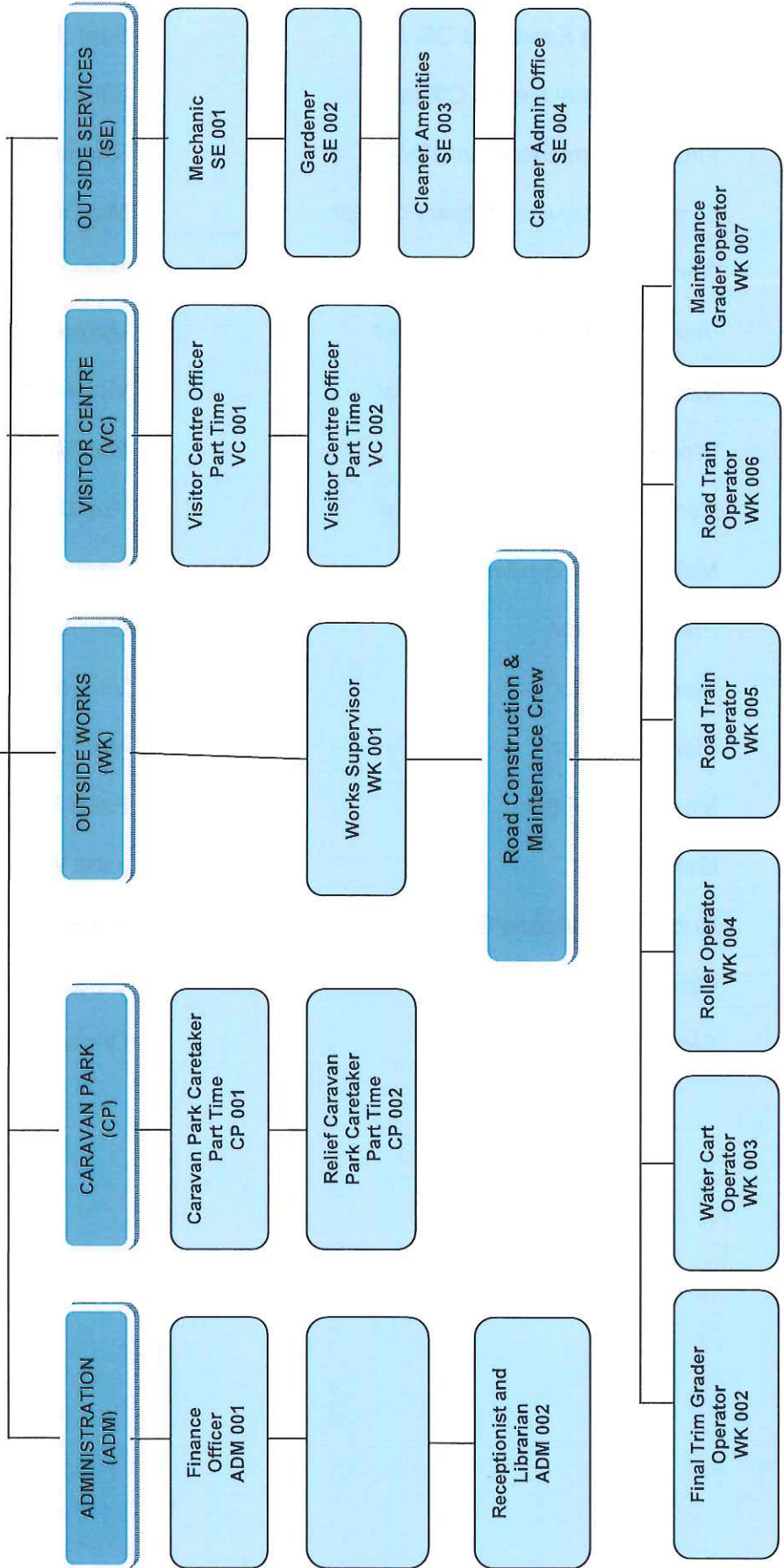
Staff

Acting Chief Executive Officer	Sean Fletcher
Environmental Health Officer	Bill Atyeo
Finance/Administration Officer	Rhonda Miles
Customer Service / Library Officer	Margaret Duhig
Caravan Park Manager	Margaret Dixon
Visitor Centre/Museum Officer	Margie Lundy
Visitor Centre/Museum Officer	Vickie Thomson
Works Supervisor	Rob Moss
Construction Grader Operator	Roz Derrick
Maintenance Grader Operator	Danny Gloede
Plant Operator	Gavin Patterson
Plant Operator	Vic Taylor
Plant Operator	Mary Allison
Mechanical Fitter	Keith May
Gardener	Jane Walker
Rubbish Collection/General Hand	Robert (Banjo) Patterson
Cleaner	Gina Gloede
Cleaner	Drina Moss



COUNCIL
SHIRE PRESIDENT
DEPUTY SHIRE PRESIDENT
FOUR COUNCILLORS

CHIEF EXECUTIVE OFFICER
MAN 001



ENVIRONMENTAL HEALTH OFFICER / BUILDING SURVEYOR'S REPORT

This annual report provides a summary of the main activities and duties carried out by the Councils Environmental Health /Building officer (EHO/BS) Mr Bill Atyeo for the 2015/16 financial year.

1. Building works in the Shire of Sandstone

I think that Sandstone has experienced its worst financial year for Building works undertaken/complete in 2015/16. While there might have been some renovating occurring, it is noted that some building work has not received the required Building Permits prior to the erection or construction of the buildings.

These issues will be followed up in the coming months. What people do not realise is that yes, we are able to issue retrospective Building approvals with the new Act, but that they are unable to sell their properties if all buildings on them have not received a Building permit.

A total of 4 building permit were issued for the year and this represents a significant reduction in investment within the Shire of sandstone.

The total Value of Building works was \$38,500.00.

A breakdown of the various types of projects approved is as follows:

TYPE	Class Building	Value	Council Projects	Other Developers
Shed/Garage	10a	\$8,000.00		\$3,000.00
Patio and Kitchen addition	1a	\$10,500.00		\$10,500.00
Tea Rooms	6	\$17,000.00		\$17,000.00
Storage unit – Sea Container	10a	\$3,000.00		\$3,000.00
		\$38,500.00	\$	\$38,500.00

2. Demolition licences

There were Nil (0) demolition permit issued.

4. Building Act and Planning Changes

Changes to our legislation has been enacted, allowing people to start building Class 1 (houses) and Class 10 (sheds etc) BEFORE getting a permit from the Shire. They must submit the documentation prior to starting, but they are able to immediately start building if they consider (Building Surveyor) that the building complies with the Town Planning Scheme and the BCA.

This has not impacted on Sandstone and I don't expect that it will into the future.

Environmental Health

1. Food Businesses

- There is only one food business operating from a Commercial building. This building is monitored on a regular basis. It is important to note that any person who produces and sells food to the public must comply with the Food Standards Code referenced by the Food Act.
- There is now only two stall holders selling food within the Shire with one stall holder selling out and moving from the town. All are registered under the Food Act.

2. Food recalls

- As usual there were a number of food recalls and information items related to food safety received by Council. However there were no issues of concern for the year given that there is only one food business operating from Commercial Premises.

3. Public buildings

- All public buildings controlled by Council have been inspected with no major defects to report. The construction of the new Offices has significantly increased access and egress to and from the most important building in the town.

4. Waste management/recycling programmes

- Waste metal collection is still being collected at the landfill site.
- The tip continues to be maintained at a good level.
- The Bio-remediation Facility in Sandstone is quite unique and not found anywhere else in this region.

5. Shire of Sandstone Planning Scheme

- The updated Local Planning Scheme was completed in 2016 and has now come into operation.

6. New Public Health Act 2016

The gazettal of the *Public Health Act 2016* on the 25th July 2016 represents a significant update and change to the implementation of environmental health legislation in Western Australia, replacing the *Health Act 1911*. As there is a significant amount of work required to transition to the new regulatory framework, the Department of Health (WA) has advised that implementation is to occur in a staged manner over the next 3 to 5 years.

The old *Health Act 1911* (which will be known as the *Health (Miscellaneous Provisions) Act 1911*), and all regulations made under the Health Act, will continue to be the main enforcement tool used by the Shire's Environmental Health Officers until the provisions of the new Act are proclaimed over the coming years.

There are five (5) stages of implementation, of which Stages 1 and 2 are already in effect and have no practical implications for local government. Stage 3 involves key elements of the administrative framework provided by Part 2 of the *Public Health Act*

2016 coming into operation to replace the equivalent administrative framework provided by Part II of the *Health Act 1911*.

This includes gazettal of Environmental Health Officers to enforce the provisions of the Act within their local government authority and annual reporting requirements. Stage 3 is expected to occur on **24th January 2017**, with works needed to be undertaken to effect this transition within the Shire.

Stage 4 will adopt changes to the *Public Health Act 2016* relating to notifiable infectious diseases and related conditions, prescribed conditions of health, serious public health incident powers and public health emergencies. Date for commencement is yet to be determined. No action by local government is expected during this implementation stage.

Stage 5 will be the most significant stage of implementation for enforcement agencies as it represents the point at which they move from the framework provided by the *Health (Miscellaneous Provisions) Act 1911* to the *Public Health Act 2016*. The development of new regulations under the *Public Health Act 2016* relating to environmental health matters will commence, and feature provisions for:

- the built environment
- water
- body art and personal appearances
- pests and vectors.

Equivalent provisions in the *Health (Miscellaneous Provisions) Act 1911* and regulations and by-laws made under that Act will be repealed.

The following provisions will also commence with the enforcement provisions:

- Public Health Planning
- Public Health Assessments and
- Registration and licensing

Stage 5 will require substantial works by local government to implement this stage. The Department of Health has advised that it will be working closely with Local Government Authorities in the lead up to this stage, including consultation on the development of the required regulations.

All currently employed Environmental Health Officers will automatically be authorised officers and will continue to enforce both the new and the old public health legislation as the transition continues. However, implementation of Stage 3 requires that they must be provided a certificate of authority, to be produced on request. The Shire's authorised delegate is required to sign the certificate.

Using section 21(1)(b)(i) Part 2 of the new Public Health Act 2016, Council may delegate the powers and duties conferred on it to the Chief Executive Officer or an authorised officer of the Local Government. At this time, the effect of the delegation being sought is minor (sign the certificate), however as further provisions are gazetted to expand the powers of the *Public Health Act 2016*, this delegation will provide for the smooth implementation of these provisions as they are implemented.

Precedent for this is already in place for the Health Act (Delegation 30) which enables the CEO to act on behalf of Council in respect to the Act and associated Regulations. This includes initiating legal action on behalf of the Shire for breaches of the *Health Act 1911*. The current delegation will need to remain in place during the transition to the new *Public Health Act 2016*.

The issues above will be discussed and decided on with the CEO

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

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Principal place of business:
Address
Hack Street
Sandstone WA 6639

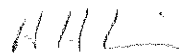
SHIRE OF SANDSTONE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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 13th day of DECEMBER 2016



Harry Hawkins
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	981,003	864,522	1,006,956
Operating grants, subsidies and contributions	30	3,233,008	5,878,547	3,236,574
Fees and charges	29	211,318	178,115	189,076
Interest earnings	2(a)	193,479	188,114	284,820
Other revenue	2(a)	298,898	257,200	623,160
		<u>4,917,706</u>	<u>7,366,498</u>	<u>5,340,586</u>
Expenses				
Employee costs		(1,093,454)	(887,656)	(1,044,753)
Materials and contracts		(3,627,975)	(1,935,405)	(1,332,226)
Utility charges		(110,225)	(121,800)	(101,241)
Depreciation on non-current assets	2(a)	(1,373,894)	(1,660,270)	(1,130,654)
Insurance expenses		(121,899)	(128,700)	(125,857)
Other expenditure		(78,938)	569,587	(94,693)
		<u>(6,406,385)</u>	<u>(4,164,244)</u>	<u>(3,829,424)</u>
		(1,488,679)	3,202,254	1,511,162
Non-operating grants, subsidies and contributions	30	1,420,000	850,000	448,170
Profit on asset disposals	21	18,629	40,095	19,481
(Loss) on asset disposals	21	(93,556)	(13,695)	(86,759)
(Loss) on revaluation of land and buildings		0	0	(34,423)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	35,335	0	0
Net result		<u>(108,271)</u>	<u>4,078,654</u>	<u>1,857,631</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	9,111	0	1,689,433
Total other comprehensive income		<u>9,111</u>	<u>0</u>	<u>1,689,433</u>
Total comprehensive income		<u><u>(99,160)</u></u>	<u><u>4,078,654</u></u>	<u><u>3,547,064</u></u>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
General purpose funding		2,105,879	2,006,396	4,204,735
Law, order, public safety		8,575	12,389	14,202
Housing		7,615	20,000	28,343
Community amenities		20,325	9,270	12,348
Recreation and culture		11,476	700	12,203
Transport		1,673,042	4,894,568	519,305
Economic services		473,219	388,400	421,900
Other property and services		617,574	34,775	127,550
		<u>4,917,705</u>	<u>7,366,498</u>	<u>5,340,586</u>
Expenses				
Governance		(180,610)	(282,054)	(165,836)
General purpose funding		(126,560)	(123,826)	(115,017)
Law, order, public safety		(83,845)	(57,397)	(63,862)
Health		(49,015)	(38,167)	(34,139)
Housing		(378,822)	(259,361)	(320,710)
Community amenities		(210,365)	(185,045)	(172,619)
Recreation and culture		(634,880)	(484,573)	(356,660)
Transport		(3,880,554)	(1,780,888)	(1,464,619)
Economic services		(909,479)	(887,859)	(839,918)
Other property and services		47,746 *	(65,074)	(296,044)
		<u>(6,406,384)</u>	<u>(4,164,244)</u>	<u>(3,829,424)</u>
		(1,488,679)	3,202,254	1,511,162
Non-operating grants, subsidies and contributions	30	1,420,000	850,000	448,170
Profit on disposal of assets	21	18,629	40,095	19,481
(Loss) on disposal of assets	21	(93,556)	(13,695)	(86,759)
(Loss) on revaluation of land and buildings		0	0	(34,423)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	35,335	0	0
Net result		<u>(108,271)</u>	<u>4,078,654</u>	<u>1,857,631</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	9,111	0	1,689,433
Total other comprehensive income		<u>9,111</u>	<u>0</u>	<u>1,689,433</u>
Total comprehensive income		<u>(99,160)</u>	<u>4,078,654</u>	<u>3,547,064</u>

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

* - Other property and services expense is positive due to the overallocation of overhead costs during the year.

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

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	6,554,418	7,984,129
Trade and other receivables	4	290,522	423,213
Inventories	5	133,424	165,340
TOTAL CURRENT ASSETS		<u>6,978,364</u>	<u>8,572,682</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	8,901,638	9,383,020
Infrastructure	7	33,612,216	31,858,961
TOTAL NON-CURRENT ASSETS		<u>42,513,854</u>	<u>41,241,981</u>
TOTAL ASSETS		<u>49,492,218</u>	<u>49,814,663</u>
CURRENT LIABILITIES			
Trade and other payables	8	324,459	569,409
Provisions	9	66,060	43,211
TOTAL CURRENT LIABILITIES		<u>390,519</u>	<u>612,620</u>
NON-CURRENT LIABILITIES			
Provisions	9	12,427	13,611
TOTAL NON-CURRENT LIABILITIES		<u>12,427</u>	<u>13,611</u>
TOTAL LIABILITIES		<u>402,946</u>	<u>626,231</u>
NET ASSETS		<u>49,089,272</u>	<u>49,188,432</u>
EQUITY			
Retained surplus		32,007,606	32,233,357
Reserves - cash backed	11	5,064,017	4,946,537
Revaluation surplus	13	12,017,649	12,008,538
TOTAL EQUITY		<u>49,089,272</u>	<u>49,188,432</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		28,974,148	6,348,115	10,319,105	45,641,368
Comprehensive income		1,857,631	0	0	1,857,631
Net result		1,857,631	0	0	1,857,631
Changes on revaluation of assets	13	0	0	1,689,433	1,689,433
Total comprehensive income		1,857,631	0	1,689,433	3,547,064
Transfers from/(to) reserves		1,401,578	(1,401,578)	0	0
Balance as at 30 June 2015		32,233,357	4,946,537	12,008,538	49,188,432
Comprehensive income		(108,271)	0	0	(108,271)
Net result		(108,271)	0	0	(108,271)
Changes on revaluation of assets	13	0	0	9,111	9,111
Total comprehensive income		(108,271)	0	9,111	(99,160)
Transfers from/(to) reserves		(117,480)	117,480	0	0
Balance as at 30 June 2016		32,007,606	5,064,017	12,017,649	49,089,272

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		855,973	904,522	968,816
Operating grants, subsidies and contributions		3,504,726	5,963,547	2,981,604
Fees and charges		211,318	178,115	189,076
Interest earnings		197,551	188,114	284,820
Goods and services tax		409,768	0	1,174,939
Other revenue		303,899	257,200	623,160
		<u>5,483,235</u>	<u>7,491,498</u>	<u>6,222,415</u>
Payments				
Employee costs		(1,126,214)	(887,656)	(1,179,988)
Materials and contracts		(3,786,584)	(2,005,405)	(1,344,301)
Utility charges		(110,225)	(121,800)	(101,241)
Insurance expenses		(121,899)	(128,700)	(125,857)
Goods and services tax		(432,838)	0	(1,174,939)
Other expenditure		(78,938)	569,587	(94,693)
		<u>(5,656,698)</u>	<u>(2,573,974)</u>	<u>(4,021,019)</u>
Net cash provided by (used in) operating activities	14(b)	<u>(173,463)</u>	<u>4,917,524</u>	<u>2,201,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(641,177)	(1,229,398)	(3,213,391)
Payments for construction of infrastructure		(2,259,981)	(7,561,661)	(860,959)
Non-operating grants, subsidies and contributions		1,420,000	850,000	448,170
Proceeds from sale of fixed assets		224,910	215,000	217,863
Net cash provided by (used in) investment activities		<u>(1,256,248)</u>	<u>(7,726,059)</u>	<u>(3,408,317)</u>
Net increase (decrease) in cash held		<u>(1,429,711)</u>	<u>(2,808,535)</u>	<u>(1,206,921)</u>
Cash at beginning of year		7,984,129	7,984,128	9,191,050
Cash and cash equivalents at the end of the year	14(a)	<u><u>6,554,418</u></u>	<u><u>5,175,593</u></u>	<u><u>7,984,129</u></u>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>3,056,736</u>	<u>3,058,691</u>	<u>2,445,073</u>
		3,056,736	3,058,691	2,445,073
Revenue from operating activities (excluding rates)				
General purpose funding		1,124,876	1,141,874	3,197,779
Law, order, public safety		8,575	12,389	14,202
Housing		7,615	20,000	28,343
Community amenities		20,325	9,270	12,348
Recreation and culture		11,476	700	12,203
Transport		1,691,671	4,934,663	532,632
Economic services		473,219	388,400	428,054
Other property and services		<u>617,575</u>	<u>34,775</u>	<u>127,550</u>
		3,955,332	6,542,071	4,353,111
Expenditure from operating activities				
Governance		(180,610)	(282,054)	(165,836)
General purpose funding		(126,560)	(123,826)	(115,017)
Law, order, public safety		(83,845)	(57,397)	(63,862)
Health		(49,015)	(38,167)	(34,139)
Housing		(378,822)	(259,361)	(320,710)
Community amenities		(210,365)	(185,045)	(172,619)
Recreation and culture		(634,880)	(484,573)	(356,660)
Transport		(3,967,746)	(1,787,551)	(1,551,378)
Economic services		(915,843)	(894,891)	(839,918)
Other property and services		<u>47,745</u>	<u>(65,074)</u>	<u>(296,044)</u>
		(6,499,941)	(4,177,939)	(3,916,183)
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(18,629)	(40,095)	(19,481)
Loss on disposal of assets	21	93,556	13,695	86,759
Movement in current employee benefit provisions - cash backed		22,849	0	(20,251)
Movement in employee benefit provisions (non-current)		(1,184)	0	(3,163)
Depreciation and amortisation on assets	2(a)	<u>1,373,894</u>	<u>1,660,270</u>	<u>1,130,654</u>
Amount attributable to operating activities		1,982,613	7,056,693	4,056,519
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,420,000	850,000	448,170
Proceeds from disposal of assets	21	224,910	215,000	217,863
Purchase of property, plant and equipment	6(b)	(641,177)	(1,229,398)	(3,213,391)
Purchase and construction of infrastructure	7(b)	<u>(2,259,981)</u>	<u>(7,561,661)</u>	<u>(860,959)</u>
Amount attributable to investing activities		(1,256,248)	(7,726,059)	(3,408,317)
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	11	(133,088)	(635,612)	(208,422)
Transfers from reserves (restricted assets)	11	<u>15,608</u>	<u>440,000</u>	<u>1,610,000</u>
Amount attributable to financing activities		(117,480)	(195,612)	1,401,578
Surplus(deficiency) before general rates		<u>608,885</u>	<u>(864,978)</u>	<u>2,049,780</u>
Total amount raised from general rates	23	<u>981,003</u>	<u>864,522</u>	<u>1,006,956</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>1,589,888</u></u>	<u><u>(456)</u></u>	<u><u>3,056,736</u></u>

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

SHIRE OF SANDSTONE
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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent revenue experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Council determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and infrastructure. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 within 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.

(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.

SHIRE OF SANDSTONE
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

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.

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.

SHIRE OF SANDSTONE
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)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	40 years

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF SANDSTONE
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 SANDSTONE
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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue

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.

Control of non operating grants arises when the Shire can benefit from funds transferred to it and deny or regulate the access of others to those benefits. Therefore, control arises when the Shire can use funds granted or transferred to purchase goods and services or retain those funds for future purchases.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with, it may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

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

2. REVENUE AND EXPENSES	2016	2015	
	\$	\$	
(a) Net Result			
The Net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
- Audit of the Annual Financial Report	19,062	18,769	
- Other services	5,190	2,970	
	<u>24,252</u>	<u>21,739</u>	
Depreciation			
Buildings - non-specialised	479,444	228,189	
Furniture and equipment	33,554	61,966	
Plant and equipment	359,970	366,436	
Infrastructure - Roads	412,643	412,448	
Infrastructure - Footpaths	2,085	2,086	
Infrastructure - Parks and Ovals	59,377	34,465	
Infrastructure - Other	16,593	14,757	
Infrastructure - Airport	10,228	10,307	
	<u>1,373,894</u>	<u>1,130,654</u>	
(ii) Crediting as revenue:			
Other revenue			
Reimbursements and recoveries	5,119	37,256	
Other	293,779	585,904	
	<u>298,898</u>	<u>623,160</u>	
	2016	2016	2015
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	130,986	110,614	201,776
- Other funds	30,110	60,000	56,399
Other interest revenue (refer note 28)	32,383	17,500	26,645
	<u>193,479</u>	<u>188,114</u>	<u>284,820</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life. Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

GOVERNANCE

Objective:

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

Activities:

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

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision and maintenance of elderly residents housing.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of halls, various reserves, parks and garden and operation of a council library.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park.
Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control Shire's overheads operating accounts.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF SANDSTONE
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	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
		Balance ⁽⁴⁾ 1/07/14 \$	2014/15 \$	2014/15 \$	Balance ⁽¹⁾ 30/06/15 \$	2015/16 \$	2015/16 \$	Balance 30/06/16 \$
Department of Planning - Local Planning Strategy	Community Amenities	90,000	0	(73,858)	16,142	0	0	16,142
Regional CLGF 2011/12 Staff Housing	Housing	101,515	0	(9,635)	91,880	0	0	91,880 *
Flood Damage Funding	Transport	0	0	0	0	1,509,530	(1,509,530)	0
Roads to Recovery	Transport	0	0	0	0	1,300,000	(876,875)	423,125
MIRWA - Project	Transport	0	250,000	(250,000)	0	120,000	(120,000)	0
Total		191,515	250,000	(333,493)	108,022	2,929,530	(2,506,405)	531,147

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.

* - As at 30 June 2016 the Shire had committed this funding for use in accordance with the funding agreement.

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

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		959,254	2,929,570
Restricted		5,595,164	5,054,559
		<u>6,554,418</u>	<u>7,984,129</u>

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

Employee Entitlements Reserve	11	203,878	199,417
Plant Reserve	11	1,083,634	1,059,222
Building Reserve	11	1,860,596	1,815,372
Airport Reserve	11	170,088	166,365
Road and Flood Damage Reserve	11	598,812	585,707
Information Technology Reserve	11	72,343	70,760
Refuse Disposal Reserve	11	56,696	55,455
Housing Reserve	11	569,187	556,364
Community Development Reserve	11	448,783	437,875
Unspent grants	2(c)	531,147	108,022
		<u>5,595,164</u>	<u>5,054,559</u>

4. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding	185,720	65,691
Sundry debtors	2,402	274,412
GST receivable	139,628	116,558
Provision for Doubtful Debts	(43,708)	(44,000)
Interest Receivable	6,480	10,552
	<u>290,522</u>	<u>423,213</u>

Debtors Age Analysis

The ageing of the past due but not impaired receivables (Rates Outstanding and Sundry Debtors) are as follows:

0 to 3 months overdue	0	5,245
3 to 6 months overdue	0	0
Over 6 months overdue	144,414	110,481
	<u>144,414</u>	<u>115,726</u>

5. INVENTORIES

Current

Fuel and materials	133,424	165,340
	<u>133,424</u>	<u>165,340</u>

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

	2016	2015
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2015 - level 2	<u>590,000</u>	<u>590,000</u>
	590,000	590,000
Buildings - non-specialised at:		
- Independent valuation 2015 - level 3	14,386,000	14,386,000
- Additions after valuation - cost	273,182	0
Less accumulated depreciation	<u>(8,992,544)</u>	<u>(8,513,100)</u>
	5,666,638	5,872,900
Total land and buildings	<u>6,256,638</u>	<u>6,462,900</u>
Furniture and equipment at:		
- Management valuation 2013 - level 3	0	488,401
- Independent valuation 2016 - level 3	79,700	0
- Additions after valuation - cost	0	3,954
Less accumulated depreciation	<u>0</u>	<u>(425,544)</u>
	79,700	66,811
Plant and equipment at:		
- Management valuation 2013 - level 3	0	3,136,478
- Independent valuation 2016 - level 2	2,565,300	0
- Additions after valuation - cost	0	1,192,904
Less accumulated depreciation	<u>0</u>	<u>(1,476,073)</u>
	2,565,300	2,853,309
	<u>8,901,638</u>	<u>9,383,020</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 SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	590,000	0	0	0	0	0	0	0	590,000
Total land	590,000	0	0	0	0	0	0	0	590,000
Buildings - non-specialised	5,872,900	273,182	0	0	0	0	(479,444)	0	5,666,638
Total buildings	5,872,900	273,182	0	0	0	0	(479,444)	0	5,666,638
Total land and buildings	6,462,900	273,182	0	0	0	0	(479,444)	0	6,256,638
Furniture and equipment	66,811	10,572	0	9,111	0	0	(33,554)	26,760	79,700
Plant and equipment	2,853,309	357,423	(299,837)	0	35,335	0	(359,970)	(20,960)	2,565,300
Total property, plant and equipment	9,383,020	641,177	(299,837)	9,111	35,335	0	(872,968)	5,800	8,901,638

The transfers of assets between asset classes has \$5,800 transferred to Furniture and Equipment from Infrastructure - parks and ovals.

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuers	June 2015	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 2015	Improvement to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent registered valuers	June 2015	Improvement to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology (Gross Valuation Method)	Independent registered valuers and Management valuation	June 2015	Price per square metre / market borrowing rate
Furniture and equipment					
- Independent valuation 2016	3	Market approach using recent observable market data for similar properties (Net valuation method)	Independent registered valuers	June 2016	Market price per item
Plant and equipment					
- Independent valuation 2016	2	Market approach using recent observable market data for similar properties (Net valuation method)	Independent registered valuers	June 2016	Market price per item

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

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	37,392,653	37,392,653
- Additions after valuation - cost	2,827,198	860,959
Less accumulated depreciation	<u>(7,871,670)</u>	<u>(7,459,028)</u>
	32,348,181	30,794,584
Infrastructure - Footpaths		
- Management valuation 2014 - level 3	77,810	77,810
- Additions after valuation - cost	53,997	0
Less accumulated depreciation	<u>(41,018)</u>	<u>(38,933)</u>
	90,789	38,877
Infrastructure - Parks and Ovals		
- Management valuation 2015 - level 3	1,283,600	1,297,600
- Additions after valuation - cost	8,500	0
Less accumulated depreciation	<u>(567,177)</u>	<u>(516,000)</u>
	724,923	781,600
Infrastructure - Other		
- Management valuation 2015 - level 3	477,600	477,600
Less accumulated depreciation	<u>(295,293)</u>	<u>(278,700)</u>
	182,307	198,900
Infrastructure - Airport		
- Management valuation 2015 - level 3	104,000	104,000
Less accumulated depreciation	<u>(69,228)</u>	<u>(59,000)</u>
	34,772	45,000
Works in Progress		
- Additions after valuation - cost	<u>231,244</u>	<u>0</u>
	231,244	0
	<u><u>33,612,216</u></u>	<u><u>31,858,961</u></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 SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	30,794,584	1,966,240	0	0	0	0	(412,643)	0	32,348,181
Infrastructure - Footpaths	38,877	53,997	0	0	0	0	(2,085)	0	90,789
Infrastructure - Parks and Ovals	781,600	8,500	0	0	0	0	(59,377)	(5,800)	724,923
Infrastructure - Other	198,900	0	0	0	0	0	(16,593)	0	182,307
Infrastructure - Airport	45,000	0	0	0	0	0	(10,228)	0	34,772
Works in Progress	0	231,244	0	0	0	0	0	0	231,244
Total Infrastructure	31,858,961	2,259,981	0	0	0	0	(500,926)	(5,800)	33,612,216

The transfers of assets between asset classes has \$5,800 transferred to Furniture and Equipment from Infrastructure - parks and ovals.

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airport	3	Cost approach using depreciated replacement cost (Gross Valuation Method)	Independent valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

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

	2016	2015
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	320,112	502,889
Accrued salaries and wages	1,795	56,220
Other payable	2,552	10,300
	<u>324,459</u>	<u>569,409</u>

9. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	26,036	17,175	43,211
Non-current provisions	0	13,611	13,611
	<u>26,036</u>	<u>30,786</u>	<u>56,822</u>
Additional provision	(45,433)	21,973	(23,460)
Amounts used	70,807	(25,682)	45,125
Balance at 30 June 2016	<u>51,410</u>	<u>27,077</u>	<u>78,487</u>
Comprises			
Current	51,410	14,650	66,060
Non-current	0	12,427	12,427
	<u>51,410</u>	<u>27,077</u>	<u>78,487</u>

10. BORROWINGS

The Shire of Sandstone did not have any long term borrowings at 30 June 2016.

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

11. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
Employee Entitlements Reserve	\$ 199,415	\$ 4,997	\$ (534)	\$ 203,878	\$ 1,059,223	\$ 123,686	\$ (390,000)	\$ 792,909	\$ 192,787	\$ 6,628	\$ 0	\$ 199,415
Plant Reserve	1,059,222	27,253	(2,841)	1,083,634	199,416	4,459	0	203,875	1,275,371	43,851	(260,000)	1,059,222
Building Reserve	1,815,372	50,094	(4,870)	1,860,596	1,815,372	140,595	0	1,955,967	3,021,336	94,036	(1,300,000)	1,815,372
Airport Reserve	166,365	6,507	(2,784)	170,088	166,365	3,720	0	170,085	160,835	5,530	0	166,365
Road and Flood Damage Reserve	585,707	14,676	(1,571)	598,812	585,707	38,098	0	623,805	566,238	19,469	0	585,707
Information Technology Reserve	70,760	1,773	(190)	72,343	70,760	1,581	0	72,341	68,408	2,352	0	70,760
Refuse Disposal Reserve	55,455	1,390	(149)	56,696	55,455	1,240	0	56,695	53,612	1,843	0	55,455
Housing Reserve	556,364	14,315	(1,492)	569,187	556,365	12,441	0	568,806	586,209	20,155	(50,000)	556,364
Community Development Reserve	437,877	12,083	(1,177)	448,783	437,874	309,792	(50,000)	697,666	423,319	14,558	0	437,877
	4,946,537	133,088	(15,608)	5,064,017	4,946,537	655,612	(440,000)	5,142,149	6,348,115	208,422	(1,610,000)	4,946,537

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.

12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Employee Entitlements Reserve	Ongoing	to be used to fund annual and long service leave requirements
Plant Reserve	Ongoing	to be used for the purchase of plant
Building Reserve	Ongoing	to be used for the construction and maintenance of council buildings
Airport Reserve	Ongoing	to be used to fund Sandstone Airport upgrades
Road and Flood Damage Reserve	Ongoing	to be used to fund road infrastructure and rehabilitation of borrow pits and to fund flood damage
Information Technology Reserve	Ongoing	to be used to maintain and replace computer systems
Refuse Disposal Reserve	Ongoing	to be used to fund the development of refuse disposal
Housing Reserve	Ongoing	to be used to fund maintenance and replacement of council employee housing requirements
Community Development Reserve	Ongoing	to be used for projects to benefit the community a determined from time to time

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

13. REVALUATION SURPLUS

	2016			2016			2015			2015		
	Opening Balance	Revaluation Increment	Revaluation Decrement	2016 Closing Balance	Total Movement on Revaluation	2016 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance		
Land freehold	420,722	0	0	420,722	0	0	420,722	0	420,722	420,722		
Land and buildings	807,464	0	0	807,464	0	0	807,464	0	807,464	807,464		
Furniture and equipment	0	9,111	0	9,111	9,111	0	0	0	0	0		
Infrastructure - Roads	10,319,105	0	0	10,319,105	0	10,319,105	0	0	0	10,319,105		
Infrastructure - Parks and Ovals	325,576	0	0	325,576	0	0	325,576	0	325,576	325,576		
Infrastructure - Other	135,671	0	0	135,671	0	0	135,671	0	135,671	135,671		
	<u>12,008,538</u>	<u>9,111</u>	<u>0</u>	<u>12,017,649</u>	<u>9,111</u>	<u>10,319,105</u>	<u>1,689,433</u>	<u>0</u>	<u>1,689,433</u>	<u>12,008,538</u>		

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

SHIRE OF SANDSTONE
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:

	2016 \$	2016 Budget \$	2015 \$
Cash and cash equivalents	<u>6,554,418</u>	<u>5,175,593</u>	<u>7,984,129</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(108,271)	4,078,654	1,857,631
Non-cash flows in Net result:			
Depreciation	1,373,894	1,660,270	1,130,654
(Profit)/Loss on sale of asset	74,927	(26,400)	67,278
Reversal of loss on revaluation of fixed assets	(35,335)		34,423
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	132,691	125,000	(293,110)
(Increase)/Decrease in inventories	31,916	80,000	(100,044)
Increase/(Decrease) in payables	(244,950)	(150,000)	(23,852)
Increase/(Decrease) in provisions	21,665	0	(23,414)
Grants contributions for the development of assets	<u>(1,420,000)</u>	<u>(850,000)</u>	<u>(448,170)</u>
Net cash from operating activities	<u>(173,463)</u>	<u>4,917,524</u>	<u>2,201,396</u>
(c) Undrawn Borrowing Facilities			
	2016 \$		2015 \$
Credit Standby Arrangements			
Bank overdraft limit	0		0
Bank overdraft at balance date	0		0
Credit card limit	20,000		20,000
Credit card balance at balance date	<u>(2,438)</u>		<u>(643)</u>
Total amount of credit unused	<u>17,562</u>		<u>19,357</u>
Loan facilities			
Loan facilities - current	0		0
Loan facilities - non-current	<u>0</u>		<u>0</u>
Total facilities in use at balance date	<u>0</u>		<u>0</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Department of Environmental Regulation (DER) has classified land at 23 Payne Street Sandstone as possibly contaminated - investigation required under section 13 of the Contaminated Sites Act 2003 (WA). The site has a 27,000 litre diesel above-ground storage tank and associated pipework and dispensing infrastructure which remains operational on the northwestern corner of the former power station site, which is used by the Shire under an informal arrangement with Horizon Power.

Until the Shire conducts an investigation to determine the scope of contamination, assess the risk and agrees with DER the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites. The Shire is continuing to monitor the site and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the DER guidelines.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire of Sandstone did not have any future operating lease commitments as at 30 June 2016.

(b) Capital Expenditure Commitments

The Shire of Sandstone did not have any future capital expenditure commitments as at 30 June 2016.

17. JOINT VENTURE ARRANGEMENTS

The Shire of Sandstone is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	0	314,949
General purpose funding	1,780,922	2,961,814
Law, order, public safety	270,004	247,421
Housing	1,923,676	2,177,614
Community amenities	96,696	2,360,738
Recreation and culture	5,794,209	4,014,731
Transport	36,089,661	34,605,301
Economic services	1,140,719	1,065,097
Other property and services	1,280,982	989,331
Unallocated	1,115,349	1,077,667
	<u>49,492,218</u>	<u>49,814,663</u>

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

19. FINANCIAL RATIOS	2016	2015	2014
Current ratio	4.26	8.10	5.94
Asset sustainability ratio	1.67	1.62	1.52
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	(1.09)	0.77	(0.39)
Own source revenue coverage ratio	0.22	0.93	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 56 of this document.

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

20. TRUST FUNDS

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

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Housing bonds	3,350	5,116	(4,150)	4,316
BCITF	0	56		56
BRB	0	118	(174)	(56)
Police Licencing	99	16,531	(16,630)	0
Rates	377	(1)		376
Election Nominations	0	640	(640)	0
	<u>3,826</u>			<u>4,692</u>

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 \$
Plant and Equipment								
Transport								
S010 Drum Roller	110,705	100,000	0	(10,705)	106,663	100,000	0	(6,663)
S008 Skid Steer Loader	5,371	24,000	18,629	0	14,881	35,000	20,119	0
FUSO Prime Mover for Water Cart	99,656	30,001	0	(69,655)	0	0	0	0
PS012A Toyota Landcruiser Ute (Mechanic)	24,105	17,273	0	(6,832)	5,024	25,000	19,976	0
Economic services								
S1 Landcruiser	60,000	53,636	0	(6,364)	62,032	55,000	0	(7,032)
	<u>299,837</u>	<u>224,910</u>	<u>18,629</u>	<u>(93,556)</u>	<u>188,600</u>	<u>215,000</u>	<u>40,095</u>	<u>(13,695)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

The Shire of Sandstone had no loan debentures during the year ended 30 June 2016.

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

The Shire of Sandstone did not have an approved overdraft as at 30th June 2016.

SHIRE OF SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23 RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Number of Properties	Rate in \$	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$	Differential general rate / general rate
Gross rental value valuations												
GRV Townsite	34	0.0642	221,728	14,244	(55)	0	14,189	14,244	0	0	0	14,244
GRV Transient Workforce Accommodation	4	0.3386	72,020	24,388	0	0	24,388	24,388	0	0	0	24,388
Unimproved value valuations												
UV Rural	19	0.0554	700,188	38,807	0	0	38,807	38,807	0	0	0	38,807
UV Mining	102	0.2611	3,015,504	787,203	79,905	15,357	882,465	787,203	0	0	0	787,203
Sub-Total	159		4,009,440	864,642	79,850	15,357	959,849	864,642	0	0	0	864,642
Minimum payment												
Gross rental value valuations												
GRV Townsite	30	200	18,098	6,000	0	0	6,000	6,000	0	0	0	6,000
Unimproved value valuations												
UV Rural	1	310	1,655	310	0	0	310	310	0	0	0	310
UV Mining	47	310	29,407	14,570	1,240	0	15,810	14,570	0	0	0	14,570
Sub-Total	78		49,160	20,880	1,240	0	22,120	20,880	0	0	0	20,880
Totals	237		4,058,600	885,522	81,090	15,357	981,969	885,522	0	0	0	885,522
Discounts/concessions (refer note 27)							(966)					(21,000)
Total amount raised from general rate							981,003					864,522
Specified Area Rate (refer note 25)							0					0
Ex-gratia rates							0					0
Totals							981,003					864,522

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

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>1,589,888</u>	<u>3,056,736</u>	<u>3,056,736</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	959,254	2,929,570	2,929,570
Restricted	5,595,164	5,054,559	5,054,559
Receivables			
Rates outstanding	185,720	65,691	65,691
Sundry debtors	2,402	274,412	274,412
GST receivable	139,628	116,558	116,558
Provision for Doubtful Debts	(43,708)	(44,000)	(44,000)
Interest Receivable	6,480	10,552	10,552
Inventories			
Fuel and materials	133,424	165,340	165,340
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(320,111)	(502,889)	(502,889)
Accrued salaries and wages	(1,795)	(56,220)	(56,220)
Other payable	(2,552)	(10,300)	(10,300)
Provisions			
Provision for annual leave	(51,410)	(26,036)	(26,036)
Provision for long service leave	(14,650)	(17,175)	(17,175)
Unadjusted net current assets	<u>6,587,846</u>	<u>7,960,062</u>	<u>7,960,062</u>
Adjustments			
Less: Reserves - restricted cash	(5,064,017)	(4,946,537)	(4,946,537)
Add: Cash backed employee provisions	66,059	43,211	43,211
Adjusted net current assets - surplus/(deficit)	<u>1,589,888</u>	<u>3,056,736</u>	<u>3,056,736</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 SANDSTONE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire of Sandstone did not impose any Specified Area Rates in 2015-16.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire of Sandstone did not impose any service charges during 2015-16.

**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
General Rates	Discount	966	11,000	A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notices.
Rate Assessment	Write-off		10,000	
		<u>966</u>	<u>21,000</u>	

Waivers or Concessions

The Shire did not have any Waivers or Concessions during 2015-16

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

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment (With discount)	17-Aug-15	0	0.00%	11.00%
Option Two				
Single full payment (With no discount)	08-Sep-15	0	0.00%	11.00%
Option Three				
First Instalment	08-Sep-15		5.50%	11.00%
Second Instalment	09-Nov-15	10	5.50%	11.00%
Third Instalment	08-Jan-16	10	5.50%	11.00%
Fourth Instalment	08-Mar-16	10	5.50%	11.00%
			Revenue	Budgeted
			\$	Revenue
Interest on unpaid rates	11.00%		24,471	10,000
Interest on instalment plan	5.50%		7,912	7,500
			<u>32,383</u>	<u>17,500</u>
Charges on instalment plan			1,170	2,730
			<u>1,170</u>	<u>2,730</u>

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

29. FEES & CHARGES	2016	2015
	\$	\$
General purpose funding	1,208	3,547
Law, order, public safety	424	280
Housing	2,610	29
Community amenities	19,298	11,396
Recreation and culture	956	590
Transport	0	735
Economic services	176,874	159,955
Other property and services	9,948	12,544
	<u>211,318</u>	<u>189,076</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2016	2016	2015
	\$	Budget	\$
		\$	
Operating grants, subsidies and contributions			
General purpose funding	935,190	950,890	2,909,374
Law, order, public safety	8,151	12,089	13,923
Housing	5,005	20,000	28,152
Recreation and culture	10,000	0	11,612
Transport	1,673,042	4,894,568	215,690
Economic services	1,971	0	0
Other property and services	599,649	1,000	57,823
	<u>3,233,008</u>	<u>5,878,547</u>	<u>3,236,574</u>
Non-operating grants, subsidies and contributions			
Law, order, public safety	0	0	198,170
Transport	1,420,000	850,000	250,000
	<u>1,420,000</u>	<u>850,000</u>	<u>448,170</u>
	<u>4,653,008</u>	<u>6,728,547</u>	<u>3,684,744</u>

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

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	16		16
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32. ELECTED MEMBERS REMUNERATION

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

	2016 \$	2016 Budget \$	2015 \$
Meeting Fees	14,940	16,000	12,890
President's allowance	3,500	4,500	4,375
Deputy President's allowance	1,094	875	0
Travelling expenses	2,027	6,800	9,816
Telecommunications allowance	2,666	3,000	3,000
	24,227	31,175	30,081

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets				
Cash and cash equivalents	6,554,418	7,984,129	6,554,418	7,984,129
Receivables	<u>290,522</u>	<u>423,213</u>	<u>290,522</u>	<u>423,213</u>
	<u><u>6,844,940</u></u>	<u><u>8,407,342</u></u>	<u><u>6,844,940</u></u>	<u><u>8,407,342</u></u>
Financial liabilities				
Payables	<u>324,459</u>	<u>569,409</u>	<u>324,459</u>	<u>569,409</u>
	<u><u>324,459</u></u>	<u><u>569,409</u></u>	<u><u>324,459</u></u>	<u><u>569,409</u></u>

Fair value is determined as follows:

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

**SHIRE OF SANDSTONE
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.

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	65,544	79,841
- Statement of Comprehensive Income	65,544	79,841

Notes:

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

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	90%	38%
- Overdue	10%	62%
Percentage of other receivables		
- Current	1%	86%
- Overdue	99%	14%

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

35. FINANCIAL RISK MANAGEMENT (Continued)
 (c) Payables
 Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	324,459	0	0	324,459	324,459
	<u>324,459</u>	<u>0</u>	<u>0</u>	<u>324,459</u>	<u>324,459</u>
<u>2015</u>					
Payables	569,409	0	0	569,409	569,409
	<u>569,409</u>	<u>0</u>	<u>0</u>	<u>569,409</u>	<u>569,409</u>



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INDEPENDENT AUDITOR'S REPORT

TO THE RATEPAYERS OF SHIRE OF SANDSTONE

Report on the financial report

We have audited the financial report of Shire of Sandstone, which comprises the statement of financial position as at 30 June 2016 and the statements of comprehensive income, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date, the summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

Chief Executive Officer's responsibility for the financial report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Local Government Act 1995* Part 6, the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Shire of Sandstone's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unqualified audit opinion on the financial report and our qualified audit opinion on statutory compliance.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's opinion on the financial report

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

- (i) Gives a true and fair view of the financial position of Shire of Sandstone as at 30 June 2016 and of its financial performance for the year ended on that date;
- (ii) Complies with the *Local Government Act 1995* Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) In relation to the Supplementary Ratio Information presented in the financial report, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

Report on statutory compliance

Basis for qualified opinion

Section 6.4(3) of the *Local Government Act 1995* requires the local government to submit to its auditor the accounts and annual financial report by 30 September each financial year, unless the Minister allows an extended time. For the current financial year, the Minister allowed an extended time to 31 October 2016. The Shire of Sandstone failed to meet the extended time and submitted the required information to its auditor on 16 November 2016, which is a breach of Part 6 of the *Local Government Act 1995*.

Auditor's qualified opinion on statutory compliance

In our opinion, except for the matter described in the basis for qualified opinion paragraph, we did not, during the course of our audit become aware of any instances where the Shire of Sandstone did not comply with the requirements of Part 6 of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

RSM

RSM AUSTRALIA PTY LTD



D J WALL
Director

Perth, WA
Dated: 13 December 2016

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

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	0.70	0.73	0.81
Asset renewal funding ratio	0.74	0.87	0.65

The above ratios are calculated as follows:

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