

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

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Principal place of business:  
Lot 2 Austin Street  
Cue  
WA  
6640

**SHIRE OF CUE  
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 7<sup>th</sup> day of NOVEMBER 2016



Rob Madson  
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	23	2,231,800	2,065,807	2,054,357
Operating grants, subsidies and contributions	30	5,966,373	904,456	2,607,211
Fees and charges	29	314,329	277,219	295,698
Interest earnings	2(a)	201,595	187,150	224,951
Other revenue	2(a)	294,238	47,000	110,740
		<u>9,008,335</u>	<u>3,481,632</u>	<u>5,292,957</u>
<b>Expenses</b>				
Employee costs		(1,466,652)	(1,502,722)	(1,241,575)
Materials and contracts		(5,824,178)	(1,371,329)	(1,308,973)
Utility charges		(243,404)	(202,550)	(205,067)
Depreciation on non-current assets	2(a)	(2,320,756)	(1,743,544)	(2,283,909)
Interest expenses	2(a)	0	(38,000)	(918)
Insurance expenses		(121,247)	(131,627)	(158,396)
Other expenditure		(251,844)	(197,867)	(112,543)
		<u>(10,228,081)</u>	<u>(5,187,639)</u>	<u>(5,311,381)</u>
		(1,219,746)	(1,706,007)	(18,424)
Non-operating grants, subsidies and contributions	30	892,206	11,632,641	2,919,422
Profit on asset disposals	21	30,438	5,293	66,508
(Loss) on asset disposals	21	(20,718)	(9,939)	(31,465)
(Loss) on revaluation of Parks and Ovals	8(b)	0	0	(155,881)
<b>Net result</b>		<b>(317,820)</b>	<b>9,921,988</b>	<b>2,780,160</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(162,871)	0	(10,406,326)
<b>Total other comprehensive income</b>		<b>(162,871)</b>	<b>0</b>	<b>(10,406,326)</b>
<b>Total comprehensive income</b>		<b>(480,691)</b>	<b>9,921,988</b>	<b>(7,626,166)</b>

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

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
General purpose funding		3,320,530	3,159,813	4,846,777
Law, order, public safety		8,764	5,000	9,312
Health		283	0	709
Housing		18,887	19,500	17,268
Community amenities		55,507	49,800	103,098
Recreation and culture		16,798	1,000	6,194
Transport		5,066,126	5,000	15,751
Economic services		223,885	195,000	204,558
Other property and services		297,555	46,519	89,290
		<u>9,008,335</u>	<u>3,481,632</u>	<u>5,292,957</u>
<b>Expenses</b>	2(a)			
Governance		(341,769)	(390,699)	(220,772)
General purpose funding		(210,698)	(244,534)	(209,968)
Law, order, public safety		(48,963)	(82,312)	(44,831)
Health		(77,437)	(85,750)	(66,996)
Education and welfare		(4,778)	(14,623)	(4,554)
Housing		(279,414)	(234,660)	(183,650)
Community amenities		(234,442)	(266,852)	(211,363)
Recreation and culture		(482,744)	(590,318)	(458,693)
Transport		(7,621,051)	(2,497,566)	(2,807,678)
Economic services		(475,193)	(541,555)	(473,844)
Other property and services		(451,592)	(200,770)	(628,114)
		<u>(10,228,081)</u>	<u>(5,149,639)</u>	<u>(5,310,463)</u>
<b>Finance costs</b>	2(a)			
Housing		0	0	(918)
Transport		0	(38,000)	0
		<u>0</u>	<u>(38,000)</u>	<u>(918)</u>
		(1,219,746)	(1,706,007)	(18,424)
Non-operating grants, subsidies and contributions	30	892,206	11,632,641	2,919,422
Profit on disposal of assets	21	30,438	5,293	66,508
(Loss) on disposal of assets	21	(20,718)	(9,939)	(31,465)
(Loss) on revaluation of Recreation and Culture	8(b)	0	0	(155,881)
		<u>0</u>	<u>0</u>	<u>(155,881)</u>
<b>Net result</b>		<u>(317,820)</u>	<u>9,921,988</u>	<u>2,780,160</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(162,871)	0	(10,406,326)
<b>Total other comprehensive income</b>		<u>(162,871)</u>	<u>0</u>	<u>(10,406,326)</u>
<b>Total comprehensive income</b>		<u>(480,691)</u>	<u>9,921,988</u>	<u>(7,626,166)</u>

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

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

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	7,748,757	7,926,883
Trade and other receivables	4	485,983	443,416
Inventories	5	17,709	20,742
Other Current Assets	6	0	50,000
<b>TOTAL CURRENT ASSETS</b>		<b>8,252,449</b>	<b>8,441,041</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	2,885	3,693
Property, plant and equipment	7	9,638,700	9,949,420
Infrastructure	8	39,223,954	39,319,633
<b>TOTAL NON-CURRENT ASSETS</b>		<b>48,865,539</b>	<b>49,272,746</b>
<b>TOTAL ASSETS</b>		<b>57,117,988</b>	<b>57,713,787</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	183,754	288,015
Provisions	11	43,220	65,246
<b>TOTAL CURRENT LIABILITIES</b>		<b>226,974</b>	<b>353,261</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	11	14,070	2,891
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>14,070</b>	<b>2,891</b>
<b>TOTAL LIABILITIES</b>		<b>241,044</b>	<b>356,152</b>
<b>NET ASSETS</b>		<b>56,876,944</b>	<b>57,357,635</b>
<b>EQUITY</b>			
Retained surplus		16,263,628	17,944,287
Reserves - cash backed	12	5,927,831	4,564,992
Revaluation surplus	13	34,685,485	34,848,356
<b>TOTAL EQUITY</b>		<b>56,876,944</b>	<b>57,357,635</b>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		<b>18,369,358</b>	<b>1,359,761</b>	<b>45,254,682</b>	<b>64,983,801</b>
Comprehensive income					
Net result		2,780,160	0	0	2,780,160
Changes on revaluation of assets	13	0	0	(10,406,326)	(10,406,326)
Total comprehensive income		<u>2,780,160</u>	<u>0</u>	<u>(10,406,326)</u>	<u>(7,626,166)</u>
Transfers from/(to) reserves		(3,205,231)	3,205,231	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2015</b>		<b>17,944,287</b>	<b>4,564,992</b>	<b>34,848,356</b>	<b>57,357,635</b>
Comprehensive income					
Net result		(317,820)	0	0	(317,820)
Changes on revaluation of assets	13	0	0	(162,871)	(162,871)
Total comprehensive income		<u>(317,820)</u>	<u>0</u>	<u>(162,871)</u>	<u>(480,691)</u>
Transfers from/(to) reserves		(1,362,839)	1,362,839	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2016</b>		<b><u>16,263,628</u></b>	<b><u>5,927,831</u></b>	<b><u>34,685,485</u></b>	<b><u>56,876,944</u></b>

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

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

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		2,404,388	2,225,807	2,215,946
Operating grants, subsidies and contributions		5,826,253	904,456	2,608,494
Fees and charges		314,329	277,219	295,698
Interest earnings		201,595	187,150	224,951
Other revenue		247,983	47,000	110,740
		<u>8,994,548</u>	<u>3,641,632</u>	<u>5,455,829</u>
<b>Payments</b>				
Employee costs		(1,477,393)	(1,502,722)	(1,221,497)
Materials and contracts		(5,880,057)	(1,371,329)	(1,190,417)
Utility charges		(237,979)	(202,550)	(205,067)
Interest expenses		0	(38,000)	(918)
Insurance expenses		(121,247)	(131,627)	(158,396)
Goods and services tax		(58,874)	0	(33,708)
Other expenditure		(221,822)	(197,867)	(112,543)
		<u>(7,997,372)</u>	<u>(3,444,095)</u>	<u>(2,922,546)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>997,176</u>	<u>197,537</u>	<u>2,533,283</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(648,102)	(1,412,000)	(1,342,634)
Payments for construction of infrastructure		(1,547,497)	(12,991,582)	(3,070,537)
Non-operating grants, subsidies and contributions		892,206	11,632,641	2,919,422
Proceeds from sale of fixed assets		128,091	60,000	161,364
MRVC Deposit		0	0	(50,000)
<b>Net cash provided by (used in) investment activities</b>		<u>(1,175,302)</u>	<u>(2,710,941)</u>	<u>(1,382,385)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		0	0	(21,550)
<b>Net cash provided by (used in) financing activities</b>		<u>0</u>	<u>0</u>	<u>(21,550)</u>
<b>Net increase (decrease) in cash held</b>		(178,126)	(2,513,404)	1,129,348
Cash at beginning of year		7,926,883	7,926,884	6,797,535
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>7,748,757</u></u>	<u><u>5,413,480</u></u>	<u><u>7,926,883</u></u>

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

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

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	<u>3,522,788</u> 3,522,788	<u>3,821,648</u> 3,821,648	<u>5,833,598</u> 5,833,598
<b>Revenue from operating activities (excluding rates)</b>			
General purpose funding	1,088,730	1,094,006	2,792,420
Law, order, public safety	8,764	5,000	9,312
Health	283	0	709
Housing	18,887	19,500	17,268
Community amenities	55,507	49,800	103,098
Recreation and culture	16,798	1,000	6,194
Transport	5,096,564	10,293	82,259
Economic services	223,885	195,000	204,558
Other property and services	297,555	46,519	89,290
	<u>6,806,973</u>	<u>1,421,118</u>	<u>3,305,108</u>
<b>Expenditure from operating activities</b>			
Governance	(341,769)	(390,699)	(220,772)
General purpose funding	(210,698)	(244,534)	(209,968)
Law, order, public safety	(48,963)	(82,312)	(44,831)
Health	(77,437)	(85,750)	(66,996)
Education and welfare	(4,778)	(14,623)	(4,554)
Housing	(279,414)	(234,660)	(184,568)
Community amenities	(234,442)	(266,852)	(211,363)
Recreation and culture	(482,744)	(590,318)	(458,693)
Transport	(7,641,769)	(2,545,505)	(2,818,969)
Economic services	(475,193)	(541,555)	(473,844)
Other property and services	(451,592)	(200,770)	(648,288)
	<u>(10,248,799)</u>	<u>(5,197,578)</u>	<u>(5,342,846)</u>
<b>Operating activities excluded from budget</b>			
(Profit) on disposal of assets	21 (30,438)	(5,293)	(66,508)
Loss on disposal of assets	21 20,718	9,939	31,465
Movement in deferred pensioner rates (non-current)	808	0	(1,392)
Movement in employee benefit provisions (non-current)	11,179	0	(15,737)
Depreciation and amortisation on assets	2(a) 2,320,756	1,743,544	2,283,909
<b>Amount attributable to operating activities</b>	<u>(1,118,803)</u>	<u>(2,028,270)</u>	<u>193,999</u>
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions	892,206	11,632,641	2,919,422
Proceeds from disposal of assets	21 128,091	60,000	161,364
Purchase of property, plant and equipment	7(b) (648,102)	(1,412,000)	(1,342,634)
Purchase and construction of infrastructure	8(b) (1,547,497)	(12,991,582)	(3,070,537)
<b>Amount attributable to investing activities</b>	<u>(1,175,302)</u>	<u>(2,710,941)</u>	<u>(1,332,385)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of debentures	22(a) 0	0	(21,550)
Transfers to reserves (restricted assets)	12 (1,373,454)	(1,442,846)	(4,610,336)
Transfers from reserves (restricted assets)	12 10,615	500,000	1,405,105
<b>Amount attributable to financing activities</b>	<u>(1,362,839)</u>	<u>(942,846)</u>	<u>(3,226,781)</u>
<b>Surplus(deficiency) before general rates</b>	<u>(134,156)</u>	<u>(1,860,409)</u>	<u>1,468,431</u>
<b>Total amount raised from general rates</b>	23 <u>2,231,800</u>	<u>2,065,807</u>	<u>2,054,357</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24 <u><u>2,097,644</u></u>	<u><u>205,398</u></u>	<u><u>3,522,788</u></u>

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



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

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

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

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

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

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

The net amount of GST recoverable from, or payable to, the ATO is included 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.

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

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land held for sale***

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

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

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

**(f) Fixed Assets**

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

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

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

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

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

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

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

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

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

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

***Land under control***

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

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

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

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

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

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

***Revaluation***

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

***Land under roads***

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

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

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

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

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

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

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

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

***Depreciation***

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Parks and Ovals	12 to 35 years
Other Infrastructure	12 to 60 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 CUE**  
**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 CUE**  
**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 CUE**  
**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 CUE**  
**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 CUE**  
**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 CUE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

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

**(o) Investment in Associates**

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

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

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

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

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

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

**(r) Superannuation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net result includes:		
(i) Charging as an expense:		
<b>Significant expense and revenue</b>		
Recreation and culture	<u>0</u>	<u>(155,881)</u>
 <b>Auditors remuneration</b>		
- Audit of the Annual Financial Report	25,621	21,800
 <b>Depreciation</b>		
Buildings - non-specialised	225,414	203,009
Furniture and equipment	56,166	49,882
Plant and equipment	267,050	329,346
Roads	1,538,770	1,538,046
Parks and Ovals	79,696	76,202
Other Infrastructure	42,161	32,804
Airport	104,253	52,202
Drainage and Sewerage	7,246	2,418
	<u>2,320,756</u>	<u>2,283,909</u>
 <b>Interest expenses (finance costs)</b>		
Debentures (refer Note 22 (a))	<u>0</u>	<u>918</u>
	<u>0</u>	<u>918</u>
 <b>Other revenue</b>		
Other	294,238	110,740
	<u>294,238</u>	<u>110,740</u>
	<u>294,238</u>	<u>110,740</u>
	<b>2016</b>	<b>2016</b>
	<b>Actual</b>	<b>Budget</b>
	<b>\$</b>	<b>\$</b>
 <b>Interest earnings</b>		
- Reserve funds	125,042	126,770
- Other funds	28,433	38,380
Other interest revenue (refer note 28)	48,120	22,000
	<u>201,595</u>	<u>187,150</u>
	<u>201,595</u>	<u>187,150</u>
	<b>2015</b>	<b>Actual</b>
		<b>\$</b>
		115,627
		51,741
		57,583
		<u>224,951</u>
		<u>224,951</u>



**SHIRE OF CUE**  
**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 of Cue is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

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

**GOVERNANCE**

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

**GENERAL PURPOSE FUNDING**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

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

**HEALTH**

Food quality and water control. Pest control. Environmental Health Officer. Doctor Service.

**EDUCATION AND WELFARE**

Assistance to Cue Primary School, Thoo Thoo Wandu, Senior Citizens and Playgroup. Involvement in work experience programmes.

**HOUSING**

Provision and maintenance of staff and rental housing.

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

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

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

**COMMUNITY AMENITIES**

Rubbish collection services, maintenance of refuse sites, administration of the town planning scheme, control and co-ordination of cemeteries, and maintenance of public conveniences.

**RECREATION AND CULTURE**

Maintenance of the Shire Hall, Recreation Centre, Stan Gurney Memorial Park and various reserves. Operation of library and internet services. Co-ordination of Australia Day activities.

**TRANSPORT**

Construction and maintenance of streets, roads, footpaths, drainage works, parking facilities, traffic signs and median strips. Control and maintenance of Cue Airport.

**ECONOMIC SERVICES**

The regulation and provision of tourism and the Historical Photographic collection. Maintenance of the shire-owned Caravan Park. Building and vermin control. Employment program administered on behalf of the Department of Employment, Workplace Relations and Small Business.

**OTHER PROPERTY AND SERVICES**

Private works operation, plant repair and operation costs.

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

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

**(c) Conditions Over Grants/Contributions**

Grant/Contribution	Function/ Activity	Opening Balance <sup>(1)</sup> 1/07/14 \$	Received <sup>(2)</sup> 2014/15 \$	Expended <sup>(3)</sup> 2014/15 \$	Closing Balance <sup>(1)</sup> 30/06/15 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Closing Balance 30/06/16 \$
R4R - CLGF 2011-12 Round 4 (Playground Equipment & Employee Housing)	GPF	262,932	0	0	<b>262,932</b>	0	(262,932)	<b>0</b>
R4R - CLGF Regional Groups 2011-12 (Employee Housing)	GPF	355,348	0	0	<b>355,348</b>	0	(355,348)	<b>0</b>
R4R - CLGF Regional Groups 2012-13 Round 4 (Industrial Development Project)*	GPF	0	358,405	(97,082)	<b>261,323</b>	0	(98,034)	<b>163,289</b>
FAG (General Purpose & Untied Road)	GPF	742,629	2,514,587	(2,409,405)	<b>847,811</b>	0	(847,811)	<b>0</b>
ESL Grant	Law, Order & Public Services	0	7,502	(7,502)	<b>0</b>	0	0	<b>0</b>
Grants for FESA operating	Law, Order & Public Services	513	0	0	<b>513</b>	0	(513)	<b>0</b>
Fire Prevention - Reimbursement	Law, Order & Public Services	3,142	0	0	<b>3,142</b>	0	(3,142)	<b>0</b>
Cat Program Grant	Law, Order & Public Services	185	0	0	<b>185</b>	0	(185)	<b>0</b>
Great Fingal Conservation Plan	Recreation & Culture	947	0	0	<b>947</b>	0	(947)	<b>0</b>
Shade Sails Grant	Recreation & Culture	0	15,000	(15,000)	<b>0</b>	0	0	<b>0</b>
Heritage Advisory Grant	Recreation & Culture	0	1,675	(1,675)	<b>0</b>	0	0	<b>0</b>
Water Park Grant	Recreation & Culture	0	9,680	(9,680)	<b>0</b>	0	0	<b>0</b>

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

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

**(c) Conditions Over Grants/Contributions**

Grant/Contribution	Function/ Activity	Opening Balance <sup>(1)</sup> 1/07/14 \$	Received <sup>(2)</sup> 2014/15 \$	Expended <sup>(3)</sup> 2014/15 \$	Closing Balance <sup>(1)</sup> 30/06/15 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Closing Balance 30/06/16 \$
Town Planning Grant	Community Amenities	0	55,000	(55,000)	0	0	0	0
Roads to Recovery Grant	Transport	0	370,000	(370,000)	0	0	0	0
MRWA Direct Grant	Transport	0	84,600	(84,600)	0	0	0	0
Kalli Road RRG Grant	Transport	0	131,333	(131,333)	0	0	0	0
Flood Damage Road Restoration	Transport	0	1,780,950	(1,780,950)	0	0	0	0
Dual Use Cycle Path	Transport	0	50,000	(50,000)	0	0	0	0
Contributions - Road Maintenance	Transport	5,474	0	0	5,474	0	(5,474)	0
Revitalisation Planning	Transport	4,005	0	0	4,005	0	(4,005)	0
BS Marshall Street Grant	Transport	0	71,734	(25,208)	46,526	0	0	46,526
Cue Wondinong RRG	Transport	0	0	0	0	96,000	(96,000)	0
Roads to Recovery	Transport	0	0	0	0	591,731	(591,731)	0
LGEEP	Economic Services	0	407	(407)	0	0	0	0
RV Site Grant	Economic Services	0	27,720	(14,898)	12,822	0	(9,486)	3,336
Tourism Signage	Economic Services	0	20,000	(20,000)	0	0	0	0
<b>Total</b>		<b><u>1,375,175</u></b>	<b><u>5,498,593</u></b>	<b><u>(5,072,740)</u></b>	<b><u>1,801,028</u></b>	<b><u>687,731</u></b>	<b><u>(2,275,608)</u></b>	<b><u>213,151</u></b>

**Notes:**

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

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

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

\* The R4R - CLGF Regional Groups 2012-13 Round 4 (industrial Development Project) grant was shown as fully expended in the 2014/15 Financial Report. The balance has been amended to reflect the correct outstanding balance at 30 June 2015 and 2016 respectively.

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

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		1,607,775	1,560,863
Restricted		<u>6,140,982</u>	<u>6,366,020</u> *
		<u><u>7,748,757</u></u>	<u><u>7,926,883</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Long Service Leave Reserve	12	28,168	7,556
Plant Replacement Reserve	12	292,355	93,688
Building Maintenance Reserve	12	521,688	151,034
Streetscape Reserve	12	494,953	157,037
Sports Complex Reserve	12	92,572	89,709
Tourist Park Development Reserve	12	105,057	102,289
Water Playground Reserve	12	22,449	21,837
Beringarra Road Reserve	12	3,826,456	3,748,597
Tourism Reserve	12	78,530	76,715
Housing/Land Development Reserve	12	66,943	65,386
Heritage Reserve	12	398,660	51,144
Unspent grants	2(c)	<u>213,151</u>	<u>1,801,028</u> *
		<u><u>6,140,982</u></u>	<u><u>6,366,020</u></u>

Unrestricted cash at 30 June 2015 has been decreased by \$261,423 and restricted cash increased by \$261,423 due to correction of the unexpended grant balance for the R4R - CLGF Regional Groups 2012-13 Round 4 (Industrial Development Project). Refer to note 2(c) for further detail.

**4. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding	258,543	430,323
Sundry debtors	155,005	14,885
GST receivable	92,582	33,708
Accrued Income	46,255	0
Provision for Doubtful Debts	<u>(66,402)</u>	<u>(35,500)</u>
	<u><u>485,983</u></u>	<u><u>443,416</u></u>

**Non-current**

Rates outstanding - pensioners	<u>2,885</u>	<u>3,693</u>
	<u><u>2,885</u></u>	<u><u>3,693</u></u>

**5. INVENTORIES**

**Current**

Fuel and materials	10,613	10,011
History books	<u>7,096</u>	<u>10,731</u>
	<u><u>17,709</u></u>	<u><u>20,742</u></u>

**6. OTHER CURRENT ASSETS**

**Current**

MRVC - Deposit	<u>0</u>	<u>50,000</u>
	<u><u>0</u></u>	<u><u>50,000</u></u>

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - freehold at:		
- Independent valuation 2013 - level 1	0	511,500
- Independent valuation 2016 - level 2	417,000	0
- Additions after valuation - cost	0	21,513
	417,000	533,013
	417,000	533,013
Buildings - non-specialised at:		
- Independent valuation 2013 - level 1	0	7,578,022
- Independent valuation 2016 - level 2	7,184,500	0
- Additions after valuation - cost	0	241,238
Less: accumulated depreciation	0	(1,480,156)
	7,184,500	6,339,104
	7,184,500	6,339,104
Total land and buildings	7,601,500	6,872,117
Furniture and equipment at:		
- Management valuation 2015 - level 1	0	489,968
- Management valuation 2016 - level 3	142,000	0
Less accumulated depreciation	0	(339,648)
	142,000	150,320
Plant and equipment at:		
- Management valuation 2015 - level 1	0	1,967,918
- Independent valuation 2016 - level 2	1,895,200	0
Less accumulated depreciation	0	(233,059)
	1,895,200	1,734,859
Work in Progress at:		
- Land and Buildings - Cost	0	1,192,124
	0	1,192,124
	9,638,700	9,949,420

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

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	533,013	0	0	(116,013)	0	0	0	0	417,000
Land - vested in and under the control of Council	0	0	0	0	0	0	0	0	0
<b>Total land</b>	<b>533,013</b>	<b>0</b>	<b>0</b>	<b>(116,013)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>417,000</b>
Buildings - non-specialised	6,339,104	333,177	0	(321,188)	0	0	(225,414)	1,058,821	7,184,500
Buildings - specialised	0	0	0	0	0	0	0	0	0
<b>Total buildings</b>	<b>6,339,104</b>	<b>333,177</b>	<b>0</b>	<b>(321,188)</b>	<b>0</b>	<b>0</b>	<b>(225,414)</b>	<b>1,058,821</b>	<b>7,184,500</b>
<b>Total land and buildings</b>	<b>6,872,117</b>	<b>333,177</b>	<b>0</b>	<b>(437,201)</b>	<b>0</b>	<b>0</b>	<b>(225,414)</b>	<b>1,058,821</b>	<b>7,601,500</b>
Furniture and equipment	150,320	0	0	(24,690)	0	0	(56,166)	72,536	142,000
Plant and equipment	1,734,859	314,926	(118,372)	299,020	0	0	(267,050)	(68,183)	1,895,200
Work in Progress	1,192,124	0	0	0	0	0	0	(1,192,124)	0
<b>Total property, plant and equipment</b>	<b>9,949,420</b>	<b>648,103</b>	<b>(118,372)</b>	<b>(162,871)</b>	<b>0</b>	<b>0</b>	<b>(548,630)</b>	<b>(128,950)</b>	<b>9,638,700</b>

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

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and buildings</b>					
Land - freehold	2	Sales Comparison Approach/Cost Approach	Fair Value	2016	Price per hectare / market borrowing rate
Land - vested in and under the					
Buildings - non-specialised	2	Sales Comparison Approach/Cost Approach	Fair Value	2016	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Furniture and equipment</b>					
	3	Market Approach	Management Valuation	2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs
<b>Plant and equipment</b>					
	2	Sales Comparison Approach	Fair Value	2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs

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

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



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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8 (a). INFRASTRUCTURE</b>		
Roads		
- Management valuation 2015 - level 3	44,536,576	44,536,576
- Additions after valuation - cost	1,126,226	0
Less accumulated depreciation	<u>(10,351,988)</u>	<u>(8,813,197)</u>
	35,310,814	35,723,379
Parks and Ovals		
- Management valuation 2015 - level 3	1,233,740	1,233,740
- Additions after valuation - cost	406,263	0
Less accumulated depreciation	<u>(486,436)</u>	<u>(406,740)</u>
	1,153,567	827,000
Other Infrastructure		
- Management valuation 2015 - level 3	1,080,408	1,080,408
- Additions after valuation - cost	252,606	0
Less accumulated depreciation	<u>(371,569)</u>	<u>(329,408)</u>
	961,445	751,000
Airport		
- Management valuation 2015 - level 3	2,637,643	2,637,643
- Additions after valuation - cost	6,627	0
Less accumulated depreciation	<u>(1,078,896)</u>	<u>(974,643)</u>
	1,565,374	1,663,000
Drainage and Sewerage		
- Management valuation 2015 - level 3	485,000	485,000
Less accumulated depreciation	<u>(252,246)</u>	<u>(245,000)</u>
	232,754	240,000
Work in Progress		
- Other Infrastructure - Cost	<u>0</u>	115,254
	0	115,254
	<u>39,223,954</u>	<u>39,319,633</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 CUE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**8. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Roads	35,723,379	1,126,226	0	0	0	0	(1,538,770)	(21)	35,310,814
Parks and Ovals	827,000	294,953	0	0	0	0	(79,696)	111,310	1,153,567
Other Infrastructure	751,000	126,318	0	0	0	0	(42,161)	126,288	961,445
Airport	1,663,000	0	0	0	0	0	(104,253)	6,627	1,565,374
Drainage and Sewerage	240,000	0	0	0	0	0	(7,246)	0	232,754
Work in Progress	115,254	0	0	0	0	0	0	(115,254)	0
<b>Total infrastructure</b>	<b><u>39,319,633</u></b>	<b><u>1,547,497</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(1,772,126)</u></b>	<b><u>128,950</u></b>	<b><u>39,223,954</u></b>

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

**8. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Roads</b>	3	Cost Approach	Depreciated Replacement Value	2015	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Parks and Ovals</b>	3	Cost Approach	Fair Value	2015	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Other Infrastructure</b>	3	Cost Approach	Fair Value	2015	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Airport</b>	3	Cost Approach	Fair Value	2015	Construction costs and current condition, residual values and remaining useful life assessments inputs
<b>Drainage and Sewerage</b>	3	Cost Approach	Fair Value	2015	Construction costs and current condition, residual values and remaining useful life assessments 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 CUE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	64,171	0
Accrued salaries and wages	37,717	40,930
ATO liabilities	3,319	0
Payroll Creditors	33,465	22,316
Accrued Expenses	33,425	200,827
Rates Creditors	0	11,931
Deposits and Bonds	11,657	12,011
	<b>183,754</b>	<b>288,015</b>
	<b>183,754</b>	<b>288,015</b>

**10. LONG-TERM BORROWINGS**

The Shire did not have any long term borrowings at the reporting date.

**11. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2015</b>			
Current provisions	61,594	3,652	65,246
Non-current provisions	0	2,891	2,891
	61,594	6,543	68,137
Additional provision	(20,729)	9,882	(10,847)
<b>Balance at 30 June 2016</b>	<b>40,865</b>	<b>16,425</b>	<b>57,290</b>
	<b>40,865</b>	<b>16,425</b>	<b>57,290</b>
<b>Comprises</b>			
Current	40,865	2,355	43,220
Non-current	0	14,070	14,070
	40,865	16,425	57,290
	<b>40,865</b>	<b>16,425</b>	<b>57,290</b>

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

**12. RESERVES - CASH BACKED**

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Long Service Leave Reserve	7,556	20,612	0	28,168	7,549	20,724	0	28,273	7,326	230	0	7,556
Plant Replacement Reserve	93,688	198,667	0	292,355	(1,336)	219,986	0	218,650	581,071	251,735	(739,118)	93,688
Building Maintenance Reserve	151,034	370,654	0	521,688	150,888	372,668	0	523,556	47,261	103,773	0	151,034
Airport Reserve	0	0	0	0	0	0	0	0	5,909	49	(5,958)	0
Community Bus Reserve	0	0	0	0	0	0	0	0	4,427	37	(4,464)	0
Community Television Reserve	0	0	0	0	0	0	0	0	9,364	78	(9,442)	0
Resource Centre Reserve	0	0	0	0	0	0	0	0	369,677	3,090	(372,767)	0
Streetscape Reserve	157,037	337,916	0	494,953	156,886	372,435	0	529,321	3,496	153,541	0	157,037
Sports Complex Reserve	89,709	2,863	0	92,572	89,623	2,895	0	92,518	86,976	2,733	0	89,709
Telecentre Reserve	0	0	0	0	0	0	0	0	21,062	176	(21,238)	0
Tourist Park Development Reserve	102,289	2,768	0	105,057	102,191	2,453	0	104,644	41,227	61,062	0	102,289
Water Playground Reserve	21,837	612	0	22,449	22,189	532	0	22,721	11,273	90,564	(80,000)	21,837
Community Benefit Fund Reserve	0	0	0	0	0	0	0	0	170,692	1,426	(172,118)	0
Beringarra Road Reserve	3,748,597	88,474	(10,615)	3,826,456	3,744,993	77,880	(500,000)	3,322,873	0	3,748,597	0	3,748,597
Tourism Reserve	76,715	1,815	0	78,530	76,642	1,839	0	78,481	0	76,715	0	76,715
Housing/Land Development Reserve	65,386	1,557	0	66,943	65,324	1,568	0	66,892	0	65,386	0	65,386
Heritage Reserve	51,144	347,516	0	398,660	51,094	369,866	0	420,960	0	51,144	0	51,144
	<u>4,564,992</u>	<u>1,373,454</u>	<u>(10,615)</u>	<u>5,927,831</u>	<u>4,466,043</u>	<u>1,442,846</u>	<u>(500,000)</u>	<u>5,408,889</u>	<u>1,359,761</u>	<u>4,610,336</u>	<u>(1,405,105)</u>	<u>4,564,992</u>

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

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

**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:

<b>Name of Reserve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Long Service Leave Reserve	- as required	- to be used to fund long service leave requirements.
Plant Replacement Reserve	- as required	- to be used for the purchase or significant overhaul of major plant.
Building Maintenance Reserve	- as required	- to be used to fund maintenance and capital expenditure on Council owned buildings.
Airport Reserve	- as required	- to be used for the ongoing maintenance and upkeep of the Airport. \$5,740 represents the social benefit given to the Shire at the time the Council assumed responsibility for the operation of the Airport.
Community Bus Reserve	- as required	- to be used to maintain and replace the community bus.
Community Television Reserve	- as required	- to be used to ensure that the community television receiver is upgraded and maintained.
Resource Centre Reserve	- as required	- to be used to build a Resource Centre in the future.
Streetscape Reserve	- as required	- to be used to fund streetscape improvements within the town centre of Cue.
Sports Complex Reserve	- as required	- to be used to fund maintenance and capital expenditure on the sports complex.
Telecentre Reserve	- as required	- to be used to fund the Cue Telecentre project.
Tourist Park Development Reserve	- as required	- to be used to fund the development of the Cue Tourist Park.
Water Playground Reserve	- as required	- to be used to fund the maintenance of the Water Playground.
Community Benefit Fund Reserve	- as required	- to be used to fund projects that benefit the community.
Beringarra Road Reserve	- as required	- to be used for maintenance and capital expenditure on Beringarra Road.
Tourism Reserve	- as required	- to be used to fund and maintain Tourism related infrastructure and programs.
Housing/Land Development Reserve	- as required	- to be used to assist with the provision of affordable housing and the establishment of an incubator hub.
Heritage Reserve	- as required	- to be used to maintain/renovate/promote heritage places and buildings owned or under a Shire management order.

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

**13. REVALUATION SURPLUS**

	<b>2016 Opening Balance</b>	<b>2016 Revaluation Increment</b>	<b>2016 Revaluation Decrement</b>	<b>2016 Total Movement on Revaluation</b>	<b>2016 Closing Balance</b>	<b>2015 Opening Balance</b>	<b>2015 Revaluation Increment</b>	<b>2015 Revaluation Decrement</b>	<b>2015 Total Movement on Revaluation</b>	<b>2015 Closing Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land and buildings	5,739,944	0	(437,201)	(437,201)	5,302,743	5,749,944	0	(10,000)	(10,000)	5,739,944
Furniture and equipment	76,014	0	(24,690)	(24,690)	51,324	82,214	0	(6,200)	(6,200)	76,014
Plant and equipment	124,543	299,020	0	299,020	423,563	29,382	95,161	0	95,161	124,543
Roads	27,849,209	0	0	0	27,849,209	39,285,332	0	(11,436,123)	(11,436,123)	27,849,209
Other Infrastructure	40,344	0	0	0	40,344	107,810	0	(67,466)	(67,466)	40,344
Airport	922,288	0	0	0	922,288	0	922,288	0	922,288	922,288
Drainage and Sewerage	96,014	0	0	0	96,014	0	96,014	0	96,014	96,014
	<b>34,848,356</b>	<b>299,020</b>	<b>(461,891)</b>	<b>(162,871)</b>	<b>34,685,485</b>	<b>45,254,682</b>	<b>1,113,463</b>	<b>(11,519,789)</b>	<b>(10,406,326)</b>	<b>34,848,356</b>

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

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

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

**(a) Reconciliation of Cash**

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

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and cash equivalents	<u>7,748,757</u>	<u>5,413,480</u>	<u>7,926,883</u>

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

Net result	(317,820)	9,921,988	2,780,160
Non-cash flows in Net result:			
Depreciation	2,320,756	1,743,544	2,283,909
(Profit)/Loss on sale of asset	(9,720)	4,646	(35,043)
Loss on revaluation of fixed assets	0	0	155,881
Reversal of loss on revaluation of fixed assets	0		
Changes in assets and liabilities:			
(Increase)/Decrease in receivables & other assets	8,241	160,000	129,164
(Increase)/Decrease in inventories	3,033	0	(4,414)
Increase/(Decrease) in payables	(104,261)	0	133,858
Increase/(Decrease) in provisions	(10,847)	0	9,190
Grants contributions for the development of assets	<u>(892,206)</u>	<u>(11,632,641)</u>	<u>(2,919,422)</u>
Net cash from operating activities	<u>997,176</u>	<u>197,537</u>	<u>2,533,283</u>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	2,100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	<u>0</u>	<u>0</u>
<b>Total amount of credit unused</b>	<u>2,115,000</u>	<u>115,000</u>
<b>Loan facilities</b>		
Loan facilities - current	0	0
Loan facilities - non-current	<u>0</u>	<u>0</u>
<b>Total facilities in use at balance date</b>	<u>0</u>	<u>0</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>



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

**15. CONTINGENT LIABILITIES**

There were no known contingent liabilities as at 30 June 2016.

<b>16. CAPITAL AND LEASING COMMITMENTS</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Operating Lease Commitments</b>		
The Shire did not have any future operating lease commitments at the reporting date.		
<b>(b) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects	2,374,239	172,150
Payable:		
- not later than one year	2,374,239	172,150
Uncompleted Flood Damage works committed at 30 June 2016. Commitment to Water Park Upgrade entered in April 2015 and was paid August 2015.		

**17. JOINT VENTURE ARRANGEMENTS**

The Shire is not involved in any joint venture arrangements.

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
General purpose funding	1,934,935	2,401
Law, order, public safety	9,000	6,289
Health	5,000	2,941
Housing	1,346,892	1,788,477
Community amenities	179,292	159,376
Recreation and culture	3,566,185	2,135,061
Transport	42,451,223	21,305,090
Economic services	3,820,247	3,157,418
Other property and services	3,805,214	3,398,778
Unallocated	0	25,757,956
	<u>57,117,988</u>	<u>57,713,787</u>

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

	2016	2015	2014
<b>19. FINANCIAL RATIOS</b>			
Current ratio	10.62	6.00 *	28.88
Asset sustainability ratio	0.67	1.42	0.42
Debt service cover ratio	0	95.49	52.96
Operating surplus ratio	(0.44)	(0.05)	(0.47)
Own source revenue coverage ratio	0.27	0.49	0.52

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:**

\* The current ratio at 30 June 2015 has been restated due to unrestricted cash at 30 June 2015 being decreased by \$261,423 and restricted cash increased by \$261,423 due to correction of the unexpended grant balance for the R4R - CLGF Regional Groups 2012-13 Round 4 (Industrial Development Project). Refer to note 2(c) for further detail

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

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$847,811.

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

	2016	2015
Debt service cover ratio	0	57.76
Operating surplus ratio	0.19	(0.37)

**SHIRE OF CUE**  
**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 \$
Cue LCDC	2,080	0		2,080
	<u>2,080</u>			<u>2,080</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 \$
<b>Plant and Equipment</b>								
Transport								
Nissan Patrol	22,819	23,637	818	0	29,939	20,000	0	(9,939)
Isuzu NPR 300	0	0	0	0	7,455	10,000	2,545	0
Toyota Hilux	42,536	21,818	0	(20,718)	27,252	30,000	2,748	0
Toyota Prado	26,640	32,727	6,087	0	0	0	0	0
Holden Colorado	17,219	20,909	3,690	0	0	0	0	0
Tandem Axle Trailer	9,157	29,000	19,843	0	0	0	0	0
	<u>118,371</u>	<u>128,091</u>	<u>30,438</u>	<u>(20,718)</u>	<u>64,646</u>	<u>60,000</u>	<u>5,293</u>	<u>(9,939)</u>

**SHIRE OF CUE  
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 did not have any debentures during the year ended 30 June 2016.

(b) New Debentures - 2015/16

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

(c) Unspent Debentures

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

(d) Overdraft

Council has not utilised an overdraft facility during the financial year although an overdraft facility of \$2,100,000 with the Commonwealth Bank does exist. \$2,000,000 of the overdraft facility is available to cover the flood damage capital expenditure as required. The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was \$nil.

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

**23. RATING INFORMATION - 2015/16 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
GRV Residential	10.11	82	448,032	45,296	0	0	45,296	44,860	0	0	44,860
GRV Commercial	8.65	10	373,148	32,277	0	0	32,277	33,178	0	0	33,178
GRV Unimproved	9.82	0	0	0	0	0	0	0	0	0	0
GRV M&T Workforce	30.00	2	303,888	91,166	0	0	91,166	91,166	0	0	91,166
				0			0				0
<b>Unimproved value valuations</b>											
UV Mining	30.56	290	6,492,446	1,984,091	(31,988)	15,329	1,967,432	1,822,241	0	0	1,822,241
UV Pastoral	8.02	14	502,918	40,334	0	0	40,334	51,702	0	0	51,702
<b>Sub-Total</b>		398	8,120,432	2,193,164	(31,988)	15,329	2,176,505	2,043,147	0	0	2,043,147
<b>Minimum payment</b>	<b>Minimum \$</b>										
<b>Gross rental value valuations</b>											
GRV Residential	430	44	110,869	18,920	0	0	18,920	19,350	0	0	19,350
GRV Commercial	430	8	24,665	3,440	0	0	3,440	3,870	0	0	3,870
GRV Unimproved	520	32	7,712	16,640	(3)	0	16,637	17,680	0	0	17,680
<b>Unimproved value valuations</b>											
UV Mining	430	129	86,821	55,470	0	0	55,470	56,330	0	0	56,330
UV Pastoral	430	3	10,400	1,290	0	0	1,290	430	0	0	430
<b>Sub-Total</b>		216	240,467	95,760	(3)	0	95,757	97,660	0	0	97,660
		<b>614</b>	<b>8,360,899</b>	<b>2,288,924</b>	<b>(31,991)</b>	<b>15,329</b>	<b>2,272,262</b>	<b>2,140,807</b>	<b>0</b>	<b>0</b>	<b>2,140,807</b>
Rates Written Off							(40,462)				(75,000)
<b>Totals</b>							<u>2,231,800</u>				<u>2,065,807</u>

**SHIRE OF CUE**  
**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

	<b>2016</b> <b>(30 June 2016</b> <b>Carried</b> <b>Forward)</b> <b>\$</b>	<b>2016</b> <b>(1 July 2015</b> <b>Brought</b> <b>Forward)</b> <b>\$</b>	<b>2015</b> <b>(30 June 2015</b> <b>Carried</b> <b>Forward)</b> <b>\$</b>
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	<u>2,097,644</u>	<u>3,522,788</u>	<u>3,522,788</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	1,607,775	1,560,863	1,822,186
Restricted	6,140,982	6,366,020	6,104,697
Receivables			
Rates outstanding	258,543	430,323	430,323
Sundry debtors	155,005	14,885	14,885
GST receivable	92,582	33,708	33,708
Accrued Income	46,255	0	0
Provision for Doubtful Debts	(66,402)	(35,500)	(35,500)
Inventories			
Fuel and materials	10,613	10,011	10,011
History books	7,096	10,731	10,731
Other Current Assets			
MRVC - Deposit	0	50,000	50,000
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(64,171)	0	0
Accrued salaries and wages	(37,717)	(40,930)	(40,930)
ATO liabilities	(3,319)	0	0
Payroll Creditors	(33,465)	(22,316)	(22,316)
Accrued Expenses	(33,425)	(200,827)	(200,827)
Rates Creditors	0	(11,931)	(11,931)
Deposits and Bonds	(11,657)	(12,011)	(12,011)
Provisions			
Provision for annual leave	(40,865)	(61,594)	(61,594)
Provision for long service leave	(2,355)	(3,652)	(3,652)
<b>Unadjusted net current assets</b>	<u><b>8,025,475</b></u>	<u><b>8,087,780</b></u>	<u><b>8,087,780</b></u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(5,927,831)	(4,564,992)	(4,564,992)
<b>Adjusted net current assets - surplus/(deficit)</b>	<u><u><b>2,097,644</b></u></u>	<u><u><b>3,522,788</b></u></u>	<u><u><b>3,522,788</b></u></u>

**Difference**

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

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

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

The Shire did not impose any Specified Area Rates.

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

The Shire did not impose any service charges.

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

No discounts are offered for early payment of rates.

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

<b>Instalment Options</b>	<b>Instalment Plan Admin Charge</b>	<b>Instalment Plan Interest Rate</b>	<b>Unpaid Rates Interest Rate</b>
	<b>\$</b>	<b>%</b>	<b>%</b>
	15	0.00%	11.00%
First Instalment			
Second Instalment			
Third Instalment			
Fourth Instalment			

	<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Interest on unpaid rates	46,100	20,000
Interest on instalment plan	2,020	2,000
	<u>48,120</u>	<u>22,000</u>

**SHIRE OF CUE**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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<b>29. FEES &amp; CHARGES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
General purpose funding	450	600
Law, order, public safety	2,341	1,810
Health	283	709
Housing	18,886	17,268
Community amenities	55,507	48,098
Recreation and culture	1,154	1,304
Transport	4,383	15,752
Economic services	214,885	204,151
Other property and services	16,440	6,006
	<u>314,329</u>	<u>295,698</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget except for a correction to the wording for cemetery charges to a person over 14 years of age and a person under 14 years of age. This was an administrative change only and did not change the amount of the charge.

**30. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
General purpose funding	843,921	2,514,587
Law, order, public safety	6,422	7,502
Health	0	55,000
Recreation and culture	15,644	4,890
Transport	5,034,499	0
Economic services	8,999	407
Other property and services	56,888	24,825
	<u>5,966,373</u>	<u>2,607,211</u>
<b>Non-operating grants, subsidies and contributions</b>		
General purpose funding	0	358,405
Recreation and culture	86,075	24,680
Transport	806,131	2,488,617
Economic services	0	47,720
	<u>892,206</u>	<u>2,919,422</u>
	<u>6,858,579</u>	<u>5,526,633</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

20	17
----	----

**32. ELECTED MEMBERS REMUNERATION**

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

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
Meeting Fees	30,837	31,500	30,423
President's allowance	10,500	10,500	10,909
Deputy President's allowance	2,616	2,625	2,727
Travelling expenses	18,884	20,000	17,387
Telecommunications allowance	16,159	17,640	15,400
	<u>78,996</u>	<u>82,265</u>	<u>76,846</u>



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

**33. MAJOR LAND TRANSACTIONS**

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

**34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

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

**SHIRE OF CUE**  
**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:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	7,748,757	7,926,883	7,748,757	7,926,883
Receivables	488,868	447,109	488,868	482,609
	<u>8,237,625</u>	<u>8,373,992</u>	<u>8,237,625</u>	<u>8,409,492</u>
<b>Financial liabilities</b>				
Payables	183,754	288,015	183,754	288,015
Borrowings	0	0	0	0
	<u>183,754</u>	<u>288,015</u>	<u>183,754</u>	<u>288,015</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 CUE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

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

**(a) Cash and Cash Equivalents**

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

**Available-for-sale financial assets**

**Held-to-maturity investments**

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	77,488	79,269
- Statement of Comprehensive Income	77,488	79,269 <sup>(2)</sup>

**Notes:**

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

<sup>(2)</sup> Maximum impact.

**SHIRE OF CUE  
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.

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	93%	53%
- Overdue	7%	47%

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

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

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

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2016</u></b>					
Payables	183,754	0	0	183,754	183,754
	<u>183,754</u>	<u>0</u>	<u>0</u>	<u>183,754</u>	<u>183,754</u>
<b><u>2015</u></b>					
Payables	288,015	0	0	288,015	288,015
	<u>288,015</u>	<u>0</u>	<u>0</u>	<u>288,015</u>	<u>288,015</u>

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

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

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

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

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>Year ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b><u>Year ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	0	0	0	0	0	0	0.00%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

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

### **Report on the Financial Report**

We have audited the accompanying financial report of the Shire of Cue, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

### **Management's responsibility for the financial report**

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

### **Auditor's responsibility**

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

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

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

### **Independence**

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

## Opinion

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


- i. gives a true and fair view of the Shire of Cue's financial position as at 30 June 2016 and of its performance for the financial year ended 30 June 2016;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

## Statutory Compliance

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

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls or any other written law noted during the course of our audit, with exception of the following:
  - The Shire of Cue did not seek Ministerial approval to adopt a minimum rate payment that would apply to more than 50% of the properties in the category of GRV unimproved (minimum payments in this category applied to 100% of the properties), as required by section 6.35 of the Local Government Act 1995.
- iii. The asset consumption ratio and asset renewal ratios included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

## AMD Chartered Accountants



**MARIA CAVALLO**  
Partner

Bunbury, Western Australia

Dated this 9<sup>th</sup> day of November 2016



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

**RATIO INFORMATION**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset consumption ratio	0.637	0.792	0.519
Asset renewal funding ratio	0.735	0.682	0.554

The above ratios are calculated as follows:

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