

SHIRE OF KULIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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SHIRE OF KULIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Rates	24	1,531,477	1,538,065	1,450,096
Operating Grants, Subsidies and Contributions	30	2,138,242	1,420,555	1,963,120
Fees and Charges	29	802,923	732,041	1,967,960
Service Charges	26	7,340	6,726	7,100
Interest Earnings	2(a)	109,036	65,300	68,715
Other Revenue		<u>376,272</u>	<u>299,900</u>	<u>0</u>
		4,965,290	4,062,587	5,456,991
Expenses				
Employee Costs		(1,790,732)	(1,835,871)	(1,550,664)
Materials and Contracts		(2,895,040)	(4,912,144)	(2,138,592)
Utility Charges		(317,488)	(299,360)	(197,380)
Depreciation on Non-Current Assets	2(a)	(1,843,339)	(1,743,510)	(1,698,758)
Interest Expenses	2(a)	(172,847)	(106,822)	(93,437)
Insurance Expenses		(147,973)	(174,225)	(171,516)
Other Expenditure		<u>(332,327)</u>	<u>(298,610)</u>	<u>0</u>
		<u>(7,499,746)</u>	<u>(9,370,542)</u>	<u>(5,850,347)</u>
		(2,534,456)	(5,307,955)	(393,356)
Non-Operating Grants, Subsidies and Contributions	30	6,589,960	7,201,424	1,937,547
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	0	0	0
Profit on Asset Disposals	22	86,620	129,000	78,035
Loss on Asset Disposal	22	<u>(9,993)</u>	<u>(6,000)</u>	<u>(210,149)</u>
Net Result		4,132,131	2,016,469	1,412,077
Other Comprehensive Income				
Changes on revaluation of non-current assets	14	1,015,602	0	0
Total Other Comprehensive Income		<u>1,015,602</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>5,147,733</u></u>	<u><u>2,016,469</u></u>	<u><u>1,412,077</u></u>

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

SHIRE OF KULIN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Governance		19,572	17,060	60,605
General Purpose Funding		3,090,395	2,345,926	3,166,332
Law, Order, Public Safety		78,156	51,475	42,762
Health		0	0	0
Education and Welfare		146,106	191,906	180,192
Housing		138,982	137,268	144,135
Community Amenities		94,898	73,448	68,462
Recreation and Culture		235,325	253,034	238,305
Transport		452,988	441,038	119,425
Economic Services		557,943	456,102	535,092
Other Property and Services		150,926	95,330	901,681
	2(a)	4,965,291	4,062,587	5,456,991
Expenses				
Governance		(205,139)	(218,140)	(237,380)
General Purpose Funding		(53,879)	(65,919)	(41,946)
Law, Order, Public Safety		(118,096)	(61,815)	(49,041)
Health		(119,173)	(126,506)	(207,685)
Education and Welfare		(200,049)	(224,916)	(186,791)
Housing		(143,111)	(115,482)	(413,272)
Community Amenities		(334,792)	(330,812)	(264,863)
Recreation and Culture		(961,518)	(1,190,119)	(819,885)
Transport		(2,433,784)	(2,970,982)	(2,099,973)
Economic Services		(822,702)	(811,811)	(806,635)
Other Property and Services		(1,934,657)	(3,147,218)	(629,439)
	2(a)	(7,326,900)	(9,263,720)	(5,756,910)
Finance Costs				
General Purpose Funding		0	0	(201)
Governance		(1,100)	0	0
Housing		(44,979)	(44,996)	(48,392)
Community Amenities		(98,060)	(33,090)	(36,887)
Recreation and Culture		(28,708)	(28,736)	(7,957)
	2(a)	(172,847)	(106,822)	(93,437)
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		332,359	30,000	0
Community Amenities		7,448	0	0
Recreation and Culture		46,650	213,000	1,114,906
Transport		2,029,266	2,017,861	795,918
Economic Services		375,060	940,563	26,723
Other Property and Services		3,799,177	4,000,000	0
		6,589,960	7,201,424	1,937,547
Profit/(Loss) on Disposal of Assets				
Governance		0	0	4,115
Community Amenities		12,850	0	0
Recreation and Culture		(3,041)	0	(207,285)
Transport		66,818	123,000	71,056
		76,627	123,000	(132,114)
Net Result		4,132,131	2,016,469	1,412,077
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	1,015,602	0	0
Total Other Comprehensive Income		1,015,602	0	0
Total Comprehensive Income		5,147,733	2,016,469	1,412,077

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

SHIRE OF KULIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	4,192,259	1,954,580
Trade and Other Receivables	4	239,002	216,794
Inventories	5	95,399	30,720
TOTAL CURRENT ASSETS		<u>4,526,660</u>	<u>2,202,094</u>
NON-CURRENT ASSETS			
Other Receivables	4	499	0
Inventories	5	1,063,239	1,105,389
Property, Plant and Equipment	6	9,111,797	7,833,584
Infrastructure	7	33,107,668	32,430,508
Construction in Progress	8	708,094	203,855
Investments	9	5,000	5,000
TOTAL NON-CURRENT ASSETS		<u>43,996,297</u>	<u>41,578,336</u>
TOTAL ASSETS		<u>48,522,957</u>	<u>43,780,430</u>
CURRENT LIABILITIES			
Trade and Other Payables	10	225,180	116,022
Long Term Borrowings	11	133,919	181,813
Provisions	12	258,094	223,997
TOTAL CURRENT LIABILITIES		<u>617,193</u>	<u>521,832</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	11	977,388	1,508,680
Provisions	12	138,988	108,263
TOTAL NON-CURRENT LIABILITIES		<u>1,116,376</u>	<u>1,616,943</u>
TOTAL LIABILITIES		<u>1,733,569</u>	<u>2,138,775</u>
NET ASSETS		<u>46,789,388</u>	<u>41,641,655</u>
EQUITY			
Retained Surplus		38,664,939	35,257,240
Reserves - Cash Backed	13	1,587,886	863,454
Revaluation Surplus	14	6,536,563	5,520,961
TOTAL EQUITY		<u>46,789,388</u>	<u>41,641,655</u>

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

**SHIRE OF KULIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		33,163,496	1,545,121	5,520,961	40,229,578
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
<hr/>					
Restated Balance		33,163,496	1,545,121	5,520,961	40,229,578
Comprehensive Income					
Net Result		1,412,077	0	0	1,412,077
Changes on Revaluation of Non-Current Assets	14	0	0	0	0
Total Comprehensive Income		1,412,077	0	0	1,412,077
Reserve Transfers		681,667	(681,667)	0	0
<hr/>					
Balance as at 30 June 2012		35,257,240	863,454	5,520,961	41,641,655
Comprehensive Income					
Net Result		4,132,131	0	0	4,132,131
Changes on Revaluation of Non-Current Assets	14	0	0	1,015,602	1,015,602
Total Other Comprehensive Income		4,132,131	0	1,015,602	5,147,733
Reserve Transfers		(724,432)	724,432	0	0
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Balance as at 30 June 2013		38,664,939	1,587,886	6,536,563	46,789,388

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

SHIRE OF KULIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTE	2013 \$	2013 Budget \$	2012 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,512,827	1,541,065	1,494,748
Operating Grants, Subsidies and Contributions		2,138,242	1,420,555	1,963,120
Fees and Charges		879,470	762,463	1,969,856
Service Charges		7,340	6,726	7,100
Interest Earnings		109,036	65,300	68,715
Goods and Services Tax		226,049	170,000	172,578
Other Revenue		376,272	299,900	0
		<u>5,249,236</u>	<u>4,266,009</u>	<u>5,676,117</u>
Payments				
Employee Costs		(1,694,643)	(1,855,871)	(1,537,559)
Materials and Contracts		(2,956,952)	(5,018,071)	(2,496,332)
Utility Charges		(315,723)	(299,360)	(197,380)
Insurance Expenses		(147,973)	(174,225)	(171,516)
Interest expenses		(172,847)	(106,822)	(93,437)
Goods and Services Tax		(228,297)	(170,000)	(152,443)
Other Expenditure		(332,327)	(298,610)	0
		<u>(5,848,762)</u>	<u>(7,922,959)</u>	<u>(4,648,667)</u>
Net Cash Provided By (Used In) Operating Activities	15(b)	<u>(599,526)</u>	<u>(3,656,950)</u>	<u>1,027,450</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(1,236,259)	(2,263,800)	(413,137)
Payments for Construction of Infrastructure		(2,201,646)	(2,335,970)	(3,670,319)
Advances to Community Groups		0	0	0
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		6,589,960	7,201,424	2,636,355
Proceeds from Sale of Plant & Equipment		269,336	320,000	246,970
Proceeds from Advances		0	0	(35,000)
Proceeds from Sale of Investments		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Investing Activities		3,421,391	2,921,654	(1,235,131)
Cash Flows from Financing Activities				
Repayment of Debentures		(579,186)	(182,742)	(144,106)
Repayment of Finance Leases		0	0	0
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures		0	0	500,000
		<u>0</u>	<u>0</u>	<u>500,000</u>
Net Cash Provided By (Used In) Financing Activities		(579,186)	(182,742)	355,894
Net Increase (Decrease) in Cash Held		2,242,679	(918,038)	148,213
Cash at Beginning of Year		1,954,580	1,954,583	1,801,367
Cash and Cash Equivalents at the End of the Year	15(a)	<u>4,197,259</u>	<u>1,036,545</u>	<u>1,949,580</u>

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

**SHIRE OF KULIN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
Governance		19,572	17,060	67,584
General Purpose Funding		1,558,918	807,861	1,716,236
Law, Order, Public Safety		410,515	81,475	42,762
Health		0	0	0
Education and Welfare		146,106	191,906	180,192
Housing		138,982	137,268	144,135
Community Amenities		115,196	73,448	68,462
Recreation and Culture		281,975	466,034	1,353,211
Transport		2,556,023	2,587,899	986,399
Economic Services		933,003	1,396,665	561,815
Other Property and Services		3,950,103	4,095,330	901,681
		<u>10,110,393</u>	<u>9,854,946</u>	<u>6,022,477</u>
Expenses				
Governance		(206,239)	(218,140)	(240,446)
General Purpose Funding		(53,879)	(65,919)	(41,945)
Law, Order, Public Safety		(118,096)	(61,815)	(49,041)
Health		(119,173)	(126,506)	(207,685)
Education and Welfare		(200,049)	(224,916)	(186,791)
Housing		(188,090)	(160,478)	(461,664)
Community Amenities		(432,852)	(363,902)	(301,750)
Recreation and Culture		(993,267)	(1,218,855)	(1,035,127)
Transport		(2,440,735)	(2,976,982)	(2,099,973)
Economic Services		(822,702)	(811,811)	(806,635)
Other Property and Services		(1,934,657)	(3,147,218)	(629,439)
		<u>(7,509,739)</u>	<u>(9,376,542)</u>	<u>(6,060,496)</u>
Net Result Excluding Rates		2,600,654	478,404	(38,019)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Land				
(Profit)/Loss on Asset Disposals	22	(76,627)	(123,000)	132,114
Movement in Deferred Pensioner Rates (Non-Current)		(500)	0	0
Movement in Employee Benefit Provisions (Non-Current)		30,725	0	38,490
Depreciation and Amortisation on Assets	2(a)	1,843,339	1,743,510	1,698,758
Capital Expenditure and Revenue				
Purchase Land Held for Resale		0	0	0
Purchase Land and Buildings		(9,583)	(1,255,300)	(9,438)
Purchase Infrastructure Assets - Roads		(1,680,441)	(1,858,070)	(1,368,560)
Purchase Infrastructure Assets - Other		(521,207)	(477,900)	(2,307,758)
Purchase Plant and Equipment		(1,203,536)	(975,000)	(391,239)
Purchase Furniture and Equipment		(23,142)	(33,500)	(12,461)
Proceeds from Disposal of Investments		0	0	0
Proceeds from Disposal of Assets	22	269,336	320,000	246,970
Repayment of Debentures	23	(579,186)	(182,742)	(144,106)
Proceeds from New Debentures	23	0	0	500,000
Self-Supporting Loan Principal Income		0	0	0
Transfers to Reserves (Restricted Assets)	13	(1,205,108)	(88,750)	(85,333)
Transfers from Reserves (Restricted Assets)	13	178,814	33,314	930,314
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	24(b)	756,049	883,549	110,221
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	24(b)	1,911,064	2,580	756,049
Total Amount Raised from General Rate	24(a)	<u>(1,531,477)</u>	<u>(1,538,065)</u>	<u>(1,456,096)</u>

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(a) Basis of Preparation

The financial report is a general purpose financial statement which has 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.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

(b) The Local Government Reporting Entity

All Funds through which the Council 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, but a separate statement of those monies appears at Note 21 to these financial statements.

(c) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO, is included with receivables or payables in the statement of financial position.

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments with original maturities of three months or less 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 shown as short term borrowings in current liabilities in the statement of financial position.

(e) 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.

Collectibility 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.

(f) 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 Resale

Land purchased for development and/or resale 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 the statement of comprehensive income 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 resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets

Each class of fixed assets is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation or 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.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

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

Land Under Control

In accordance with local Government (Financial Management) Regulation 16 (a), the Council is 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 other policies detailed in this Note.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2013.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Initial Recognition

All assets are initially recognised at cost. 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 Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Revaluation

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value, imposes a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Transitional Arrangement

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** methodology section as detailed above.

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to fair value, *AASB 13 - Fair Value Measurement* does not become applicable until the end of the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in *AASB 13 - Fair Value Measurement* have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation), the adoption of this standard has had no effect on previous reporting periods.

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 AASB1051 - 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 Council.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets

All non-current assets having a limited useful life (excluding freehold land) are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	10 to 50 years
Construction Other than Buildings	6 to 75 years
Furniture and Equipment	5 to 20 years
Plant and Equipment	5 to 33 years
Sealed roads and streets	
clearing and earthworks	not depreciated
construction/road base	50 years
original surfacing and	
major re-surfacing	
- bituminous seals	20 years
Gravel roads	
clearing and earthworks	not depreciated
construction/road base	50 years
gravel sheet	50 years
Formed roads (unsealed)	
clearing and earthworks	not depreciated
construction/road base	50 years
Footpaths - slab	50 years
Footpaths - other	50 years
Reticulation	20 years
Water supply piping and drainage	75 years

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

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

Gains and losses on disposals are determined by comparing proceeds with with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

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

(h) Intangible Assets

Easements

Due to legislative changes, Easements are required to be recognised as assets.

If significant, they are initially recognised at cost and have an indefinite useful life.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie 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.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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;
- (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; and
- (d) less any reduction for impairment.

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(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 and fixed maturities that the Council's management 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.

They are subsequently measured at fair value with changes in such fair value (ie 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 the asset previously recognised in other comprehensive income, is reclassified into profit or loss.

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

(v) Financial liabilities

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

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

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 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 instruments, 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 into profit or loss at this point.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

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 Council no longer has any significant continued involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

(j) Impairment

In accordance with Australian Accounting Standards the Council'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 (eg AASB 116). 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.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council 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.

(l) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

(m) 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.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) 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.

(o) 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 Council, 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.

(p) Investments in Associates

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. 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 Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 18.

The Council's interest in joint venture entities are recorded using the equity method of accounting (refer to Note 1(p) for details) in the financial report.

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(r) 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

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 operation for the current reporting period.

(s) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(t) 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 Council's operational cycle. In the case of liabilities where the Council 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 resale where it is held as non-current based on Council's intentions to release for sale.

(u) Rounding Off Figures

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(w) 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 KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 Council.

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

	Title and Topic	Issued	Applicable (*)	Impact
(i)	AASB 9 – Financial Instruments	December 2009	01 January 2013	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 Council, it is not anticipated the standard will have any material effect.
	AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	September 2012	Deferred AASB 9 until 1 January 2015	
(ii)	AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
	[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)			

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iii) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128 , are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2012-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	01 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact on the Council's financial statements.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	01 January 2014	<p>This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact on the Council’s financial statements.</p>
(ix) AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 101, 116, 132, 134 and Interpretation 2]	June 2012	01 January 2013	<p>Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council’s financial statements.</p>
(x) AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	01 January 2013	<p>Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.</p>

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Adoption of New and Revised Accounting Standards

During the current year, the Council adopted all of the new and revised Australian Accounting Standards and Interpretations which became mandatory and which were applicable to its operations.

These new and revised standards were:

AASB 2010 – 8
AASB 2011 - 3
AASB 2011 - 13

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

The Council also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES	2013	2012	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the financial report	10,000	10,050	
- Other Services	2,421	834	
Depreciation			
Buildings	160,116	159,702	
Construction Other than Buildings	12,319	14,264	
Furniture and Equipment	28,773	32,599	
Plant and Equipment	615,068	562,934	
Roads	863,802	814,532	
Footpaths	13,990	10,192	
Other Infrastructure	149,271	104,535	
	<u>1,843,339</u>	<u>1,698,758</u>	
Interest Expenses (Finance Costs)			
Debentures (refer Note 21(a))	171,747	93,236	
Other	1,100	201	
	<u>172,847</u>	<u>93,437</u>	
(ii) Crediting as Revenue:			
	2013	2013	2012
	\$	Budget	\$
		\$	
Interest Earnings			
Investments			
- Reserve Funds	41,432	42,750	50,334
- Other Funds	56,347	15,000	7,624
Other Interest Revenue (refer note 28)	11,257	7,550	10,757
	<u>109,036</u>	<u>65,300</u>	<u>68,715</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Member expenses and general administration costs allocated.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants, interest revenue and costs associated.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

Food quality and pest control, management of Environmental Health Officer, provision of medical facilities.

EDUCATION AND WELFARE

Donations for educational and welfare purposes and the provision of social functions for senior citizens.

HOUSING

Maintenance of rental housing and assistance with the maintenance of the Homeswest Joint Venture Housing agreements.

COMMUNITY AMENITIES

Rubbish collection services, operation of rubbish sites, administration of town planning scheme, maintenance of cemeteries, public amenities and storm water drains.

RECREATION AND CULTURE

Maintenance of halls, the Kulin Memorial Swimming Pool, various reserves, provision of television rebroadcasting and management of the Freebairn Recreation Centre.

TRANSPORT

Construction and maintenance of streets, roads, footpaths, cleaning and lighting of streets, depots and airstrip maintenance.

ECONOMIC SERVICES

The regulation and provision of tourism, area promotion, building control, saleyards, noxious weeds, vermin control and standpipes. The operation of the Kulin Resource Centre which incorporates the Telecentre and library.

OTHER PROPERTY AND SERVICES

Private works operations, plant operation costs, and public works overheads allocation.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received (+)	Expended (#)	Closing	Received (+)	Expended (#)	Closing
Grant/Contribution	Function/ Activity	Balance (*)	2011/12	2011/12	Balance (*)	2012/13	2012/13	Balance
		1-Jul-11	2011/12	2011/12	30-Jun-12	2012/13	2012/13	30-Jun-13
		\$	\$	\$	\$	\$	\$	\$
R4R - Regional Fuel Facility	Economic Ser	200,000		(77,500)	122,500		(122,500)	0
WDC Roe Regional Group	Governance	0	15,968	0	15,968	15,968	(15,968)	15,968
Black Spot Funding Dudinin Rd	Transport	0	17,346	0	17,346	0	(17,346)	0
NRM Dudinin Golf Course Reveg	Community Am				0	23,000	(6,860)	16,140
Kulin Aquatic Shades & Blanket	Recreation				0	12,146	(12,146)	0
Dudinin Tennis Courts Lighting	Recreation				0	7,856	(7,856)	0
LotteryWest THH Walk Path	Economic Serv				0	14,700	(14,700)	0
AWARE Program	Law,Order				0	10,000	(10,000)	0
CAT Act Capital	Law,Order				0	10,140	0	10,140
CAT Act Implementation	Law,Order				0	10,000	0	10,000
R4R Resource Centre Roof	Economic Ser				0	360,360	0	360,360
Total		200,000	33,314	(77,500)	155,814	464,170	(207,376)	412,608

Notes:

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

(+) - 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.

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	2,059,937	848,553
Restricted	<u>2,132,322</u>	<u>1,106,027</u>
	<u><u>4,192,259</u></u>	<u><u>1,954,580</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	130,878	142,130
Plant Reserve	215,825	206,043
Building Reserve	141,972	135,537
Freebairn Estate Reserve	33,366	31,853
Administration Equipment Reserve	56,425	53,868
Joint Venture Housing Reserve	80,720	77,061
Freebairn Recreation Centre Reserve	199,060	166,172
Insurance Reserve	71,201	50,790
Town Planning Reserve	25,000	0
Natural Disaster Reserve	120,000	0
FRC Surface Replacement Reserve	13,439	0
General Purpose Reserve	500,000	0
Kulin Bush Races Funds	131,828	81,759
Refundable Land Deposits	0	5,000
Unspent Grants	<u>412,608</u>	<u>155,814</u>
	<u><u>2,132,322</u></u>	<u><u>1,106,027</u></u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	58,342	27,050
Sundry Debtors	70,242	142,240
GST Receivable	110,264	31,966
Prepaid Expenses	154	15,538
	<u>239,002</u>	<u>216,794</u>
Non-Current		
Rates Outstanding - Pensioners	499	0
	<u>499</u>	<u>0</u>
5. INVENTORIES		
Current		
Fuel and Materials	81,487	12,568
Freebairn Recreation Centre Stock	13,912	18,152
	<u>95,399</u>	<u>30,720</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	1,063,239	1,105,389
	<u>1,063,239</u>	<u>1,105,389</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
- Cost	7,392,198	7,383,105
Less Accumulated Depreciation	<u>(1,876,005)</u>	<u>(1,715,889)</u>
Total Land and Buildings	5,516,193	5,667,216
Constuction Other than Buildings - Management Valuation 2013	469,928	412,847
Less Accumulated Depreciation	<u>(154,298)</u>	<u>(141,979)</u>
	315,630	270,868
Furniture and Equipment - Management Valuation 2013	669,458	654,457
Less Accumulated Depreciation	<u>(594,898)</u>	<u>(573,610)</u>
	74,560	80,847
Plant and Equipment - Independent Valuation 2013	3,508,219	5,437,093
Less Accumulated Depreciation	<u>(302,805)</u>	<u>(3,622,440)</u>
	3,205,414	1,814,653
	<u>9,111,797</u>	<u>7,833,584</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

	Total Land and Buildings \$	Construction Other than Buildings \$	Furniture and Equipment (Level 3) \$	Plant and Equipment (Level 3) \$	Total \$
Balance as at the beginning of the year	5,667,216	270,868	80,847	1,814,654	7,833,585
Additions	9,093	57,080	23,142	1,137,744	1,227,059
(Disposals)	0	0	(8,141)	(481,412)	(489,553)
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0
- Reversals	0	0	0	0	0
Initial Recognition of assets Due to Changes to Regulations	0	0	0	1,015,602	1,015,602
Depreciation (Expense)	(160,116)	(12,318)	(21,288)	(281,174)	(474,896)
Carrying amount at the end of year	<u>5,516,193</u>	<u>315,630</u>	<u>74,560</u>	<u>3,205,414</u>	<u>9,111,797</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	47,140,412	45,459,971
Less Accumulated Depreciation	<u>(18,784,610)</u>	<u>(17,920,808)</u>
	28,355,802	27,539,163
Footpaths - Cost	470,382	470,382
Less Accumulated Depreciation	<u>(139,960)</u>	<u>(125,970)</u>
	330,422	344,412
Drainage - Cost	215,691	215,691
Less Accumulated Depreciation	<u>(85,555)</u>	<u>(74,770)</u>
	130,136	140,921
Recreation - Cost	4,203,641	4,203,908
Less Accumulated Depreciation	<u>(724,201)</u>	<u>(629,219)</u>
	3,479,440	3,574,689
Other Infrastructure	968,414	968,414
Less Accumulated Depreciation	<u>(156,546)</u>	<u>(137,091)</u>
	811,868	831,323
	<u>33,107,668</u>	<u>32,430,508</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

7. INFRASTRUCTURE (Continued)

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.

	Roads	Footpaths	Drainage	Recreation	Other Infrastructure	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	27,539,163	344,412	140,921	3,574,689	831,323	32,430,508
Additions	1,680,441	0	0	26,168	0	1,706,609
(Disposals)	0	0	0	(2,386)	0	(2,386)
Revaluation - Increments	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0
Depreciation (Expense)	(863,802)	(13,990)	(10,785)	(119,031)	(19,455)	(1,027,063)
Carrying amount at the end of year	<u>28,355,802</u>	<u>330,422</u>	<u>130,136</u>	<u>3,479,440</u>	<u>811,868</u>	<u>33,107,668</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2013 Budget \$	2012 \$
13. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	142,130	142,130	135,980
Amount Set Aside / Transfer to Reserve	6,748	7,000	6,150
Amount Used / Transfer from Reserve	(18,000)	0	0
	<u>130,878</u>	<u>149,130</u>	<u>142,130</u>
(b) Plant Reserve			
Opening Balance	206,043	206,043	222,959
Amount Set Aside / Transfer to Reserve	9,782	10,000	10,084
Amount Used / Transfer from Reserve	0	0	(27,000)
	<u>215,825</u>	<u>216,043</u>	<u>206,043</u>
(c) Building Reserve			
Opening Balance	135,537	135,537	422,819
Amount Set Aside / Transfer to Reserve	6,435	6,750	12,718
Amount Used / Transfer from Reserve	0	0	(300,000)
	<u>141,972</u>	<u>142,287</u>	<u>135,537</u>
(d) Administration Equipment Reserve			
Opening Balance	53,868	53,868	51,537
Amount Set Aside / Transfer to Reserve	2,557	2,500	2,331
Amount Used / Transfer from Reserve	0	0	0
	<u>56,425</u>	<u>56,368</u>	<u>53,868</u>
(e) Freebairn Estate Reserve			
Opening Balance	31,853	31,853	464,011
Amount Set Aside / Transfer to Reserve	1,513	1,500	7,842
Amount Used / Transfer from Reserve	0	0	(440,000)
	<u>33,366</u>	<u>33,353</u>	<u>31,853</u>
(f) Joint Venture Housing Reserve			
Opening Balance	77,061	77,061	73,727
Amount Set Aside / Transfer to Reserve	3,659	4,000	3,334
Amount Used / Transfer from Reserve	0	0	0
	<u>80,720</u>	<u>81,061</u>	<u>77,061</u>
(g) Insurance Reserve			
Opening Balance	50,790	50,790	39,025
Amount Set Aside / Transfer to Reserve	20,411	13,500	11,765
Amount Used / Transfer from Reserve	0	0	0
	<u>71,201</u>	<u>64,290</u>	<u>50,790</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

	2013 \$	2013 Budget \$	2012 \$
(h) Freebairn Recreation Centre Reserve			
Opening Balance	166,172	166,172	135,063
Amount Set Aside / Transfer to Reserve	32,888	33,500	31,109
Amount Used / Transfer from Reserve	0	0	0
	<u>199,060</u>	<u>199,672</u>	<u>166,172</u>
(i) Town Planning Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	25,000	10,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>25,000</u>	<u>10,000</u>	<u>0</u>
(j) Natural Disaster Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	120,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>120,000</u>	<u>0</u>	<u>0</u>
(k) FRC Surface Replacement Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	13,439	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>13,439</u>	<u>0</u>	<u>0</u>
(l) General Purpose Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	500,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>500,000</u>	<u>0</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>1,587,886</u>	<u>952,204</u>	<u>863,454</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

Leave Reserve

- to be used to fund annual and long service leave requirements

Plant Reserve

- to be used for the purchase of major plant

Building Reserve

- to be used for the purpose of developing future housing

Administration Equipment Reserve

- to be used to ensure that the administration equipment is maintained

Freebairn Estate Reserve

- to be used in maintaining and developing sport and recreation services

Joint Venture Housing Reserve

- to be used in maintaining buildings previously constructed under joint venture housing arrangements

Freebairn Recreation Reserve

- to be used in maintaining the existing Freebairn Recreation Reserve

Insurance Reserve

- to be used for Council Representation

Town Planning Reserve

- to be used to fund the preparation of a new Local Planning Strategy for the Shire

Natural Disaster Reserve

- to be used to fund road and infrastructure restoration in the event of a natural disaster in the Shire

FRC Surface & Equipment Reserve

- to be used to replace FRC sports surfaces and other equipment as necessary

General Purpose Reserve

- to be used for future repayments of loans and/or at the discretion of Council during future budget deliberations.

All Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

14. RESERVES - ASSET REVALUATION	2013	2012
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Infrastructure		
Opening balance	5,520,961	5,520,961
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>5,520,961</u>	<u>5,520,961</u>
(b) Plant and Equipment		
Opening Balance	0	0
Revaluation Increment	1,015,602	0
Revaluation Decrement	0	0
	<u>1,015,602</u>	<u>0</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>6,536,563</u></u>	<u><u>5,520,961</u></u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

15. 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:

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>4,192,259</u>	<u>1,036,545</u>	<u>1,954,580</u>

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

Net Result	5,147,733	2,016,469	1,412,077
Depreciation	1,843,339	1,743,510	1,698,758
(Profit)/Loss on Sale of Asset	(76,627)	(123,000)	132,114
(Increase)/Decrease in Receivables	53,348	33,422	745,356
(Increase)/Decrease in Inventories	(64,680)	(4,280)	22,215
Increase/(Decrease) in Payables	38,101	(101,647)	(400,174)
Increase/(Decrease) in Employee Provisions	64,822	(20,000)	53,459
Grants/Contributions for the Development of Assets	(6,589,960)	(7,201,424)	(2,636,355)
Non-Current Assets recognised due to changes in legislative requirements	<u>(1,015,602)</u>	<u>0</u>	<u>0</u>
Net Cash from Operating Activities	<u>(599,526)</u>	<u>(3,656,950)</u>	<u>1,027,450</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank Overdraft limit	0	500,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	10,000	10,000
Credit Card Balance at Balance Date	<u>979</u>	<u>894</u>
Total Amount of Credit Unused	<u>10,979</u>	<u>510,894</u>

Loan Facilities

Loan Facilities - Current	133,919	181,813
Loan Facilities - Non-Current	<u>977,388</u>	<u>1,508,680</u>
Total Facilities in Use at Balance Date	<u>1,111,307</u>	<u>1,690,493</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>
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SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

16. CONTINGENT LIABILITIES

The Shire of Kulin is unaware of any contingent liabilities as at 30 June 2013.

17. CAPITAL AND LEASING COMMITMENTS	2013	2012
	\$	\$

(a) Finance Lease Commitments

The Shire of Kulin had no Finance Lease commitments at the 30 June 2013.

(b) Operating Lease Commitments

The Shire of Kulin had no Operating Lease commitments at the 30 June 2012.

(c) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects	0	260,000
- plant & equipment purchases	432,500	0

Payable:

- not later than one year	432,500	260,000
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The capital expenditure project outstanding at the end of the current reporting period represents the contract for the construction of the Regional Fuel Facility 2012 and the tender acceptance for a new dozer.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

18. JOINT VENTURE

The Shire together with the Shires of Corrigin, Kondinin & Narembeen have a joint venture arrangement with regard to the provision of an Environmental Health and Building Surveying Service. The only assets are a motor vehicle and miscellaneous equipment. Council's one quarter share of these assets is included in Property, Plant & Equipment as follows:

	2013	2012
	\$	\$
Non-Current Assets		
Plant & Equipment	7,737	7,737
Less: Accumulated Depreciation	0	0
	<u>7,737</u>	<u>7,737</u>

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	681,864	686,907
General Purpose Funding	57,432	25,965
Law, Order, Public Safety	605,021	259,250
Health	97,857	104,042
Education and Welfare	51,562	53,026
Housing	1,376,548	1,399,539
Community Amenities	1,489,898	1,509,860
Recreation and Culture	6,098,213	6,136,035
Transport	29,280,412	28,410,834
Economic Services	2,301,113	1,821,478
Other Property and Services	3,160,423	1,453,915
Unallocated	3,322,614	1,919,579
	<u>48,522,957</u>	<u>43,780,430</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

20. FINANCIAL RATIOS	2013	2012	2011
Current Ratio	4.92	2.93	1.18
Asset Sustainability Ratio	1.87	2.41	1.57
Debt Service Cover Ratio	(0.59)	5.33	4.74
Operating Surplus Ratio	(0.97)	(0.15)	(0.16)
Own Source Revenue Coverage Ratio	0.34	0.59	0.59

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

21. 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:

	Balance 1-Jul-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Housing Bonds	10,778	3,100	(2,898)	10,980
Rates Paid in Advance	9,618	15,410	(12,781)	12,247
Kulin Pistol Club	737			737
Tidy Towns	235			235
Health Centre	2,342			2,342
Landcare Group	1,573			1,573
Trip Fund	3,160	14,170	(6,210)	11,120
Bush Fire	81			81
Kulin Softball Club	684			684
Camp Kulin	0	1,000		1,000
Headworks Western Power KRH	5,630			5,630
Camp Hart	304	600	(66)	838
SES Building	0			0
FRC Court Resurfacing	8,000	1,500	(8,000)	1,500
Kulin Cricket Club	874			874
	<u>44,016</u>			<u>49,841</u>

22. DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Community Amenities						
Lot 105 Hodgson Street	42,150	0	55,000	0	12,850	0
Recreation and Culture						
FRC Computers	656	0	0	0	(656)	0
Dudinin Tennis Lights	2,385	0	0	0	(2,385)	0
Transport						
Manager Works Vehicle	47,364	48,000	46,365	60,000	(999)	12,000
Works Dual Cab	8,379	10,000	17,184	25,000	8,805	15,000
CEO Holden Caprice	37,879	40,000	41,818	55,000	3,939	15,000
Prime Mover	26,698	38,000	57,724	70,000	31,026	32,000
DCEO Vehicle	0	28,000	0	25,000	0	(3,000)
Side Tipper	0	0	0	25,000	0	25,000
Multipac Roller	0	0	30,000	30,000	30,000	30,000
Maintenance Truck	27,198	33,000	21,245	30,000	(5,953)	(3,000)
	<u>192,709</u>	<u>197,000</u>	<u>269,336</u>	<u>320,000</u>	<u>76,627</u>	<u>123,000</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

23. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal 30-Jun-13		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Housing - Community Bank	41,570		41,570	7,770	0	33,800	4,329	2,163
Housing - GEHA	611,198		100,362	99,655	510,836	511,544	40,650	42,833
Community Amenities								
Residential Subdivision	403,698		403,698	41,730	0	361,967	98,060	33,090
Recreation and Culture								
Swimming Pool	500,000		24,169	24,200	475,831	475,800	21,272	21,300
Freebairn Centre	134,027		9,387	9,387	124,640	124,640	7,436	7,436
	1,690,493	0	579,186	182,742	1,111,307	1,507,751	171,747	106,822

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/13

The Shire of Kulin did not raise any new debentures in 2012/13.

(c) Unspent Debentures

The Shire of Kulin did not have any unspent debentures at 30 June 2013.

(d) Overdraft

The Shire of Kulin does not have an overdraft facility in place as at 30 June 2013.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

24. RATING INFORMATION - 2012/13 FINANCIAL YEAR

(a) Rates

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 \$
Differential General Rate											
GRV Residential	11.9502	132	878,280	104,956	1,715	0	106,671	104,956	0	0	104,956
GRV Industrial	11.9502	9	47,476	5,673	0	0	5,673	5,673	0	0	5,673
GRV Commercial	11.9502	24	278,564	33,289	0	0	33,289	33,289	0	0	33,289
GRV Rural	11.9502	11	67,080	8,016	0	0	8,016	8,016	0	0	8,016
UV Rural	0.8656	345	170,153,000	1,472,545	(41)	0	1,472,504	1,472,845	(500)	0	1,472,345
UV Mining	0.8656	0	0	0	0	0	0	0	0	0	0
Sub-Totals		521	171,424,400	1,624,479	1,674	0	1,626,153	1,624,779	(500)	0	1,624,279
Minimum Rates	Minimum \$										
GRV	363.80	37	46,593	13,460	0	0	13,460	13,458	0	0	13,458
UV	363.80	22	233,598	8,004	1,001	0	9,005	8,003	0	0	8,003
Sub-Totals		59	280,191	21,464	1,001	0	22,465	21,461	0	0	21,461
Ex-Gratia Rates							1,648,618				1,645,740
Discounts (<i>refer note 25</i>)							18,191				17,325
							(135,332)				(125,000)
Total Amount Raised from General Rate							1,531,477				1,538,065
Specified Area Rate (<i>refer note 23</i>)							0				0
Total Rates							1,531,477				1,538,065

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

24. RATING INFORMATION - 2012/13 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward	2013 (30 June 2013 Carried Forward) \$	2013 (1 July 2012 Brought Forward) \$	2012 (30 June 2012 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>1,911,564</u>	<u>756,049</u>	<u>756,049</u>
<u>Comprises:</u>			
Cash - Unrestricted	2,059,937	848,553	848,553
Cash - Restricted	2,132,322	1,106,027	1,106,027
Investments - Restricted	0	0	0
Rates - Current	58,342	27,050	27,050
Sundry Debtors	70,242	142,240	142,240
GST Receivable	110,264	31,966	31,966
Prepaid Expenses	154	15,538	15,538
Inventories			
- Fuel and Materials	81,487	12,568	12,568
- Freebairn Recreation Centre	13,912	18,153	18,153
Less:			
Reserves - Restricted Cash			
- Leave Reserve	(130,878)	(142,130)	(142,130)
- Plant Reserve	(215,825)	(206,043)	(206,043)
- Building Reserve	(141,972)	(135,537)	(135,537)
- Freebairn Estate Reserve	(33,366)	(31,853)	(31,853)
- Administration Equipment Reserve	(56,425)	(53,868)	(53,868)
- Joint Venture Housing Reserve	(80,720)	(77,061)	(77,061)
- Freebairn Recreation Centre Reserve	(199,060)	(166,172)	(166,172)
- Insurance Reserve	(71,201)	(50,790)	(50,790)
- Town Planning Reserve	(25,000)	0	0
- Natural Disaster Reserve	(120,000)	0	0
- FRC Surface Replacement Reserve	(13,439)	0	0
- General Purpose Reserve	(500,000)	0	0
Kulin Bush Races Funds	(131,828)	(81,759)	(81,759)
Refundable Land Deposits	0	(5,000)	(5,000)
Unspent Grants	(412,608)	(155,814)	(155,814)
Sundry Creditors	(76,394)	(71,643)	(71,643)
Rates	(3,713)	(1,406)	(1,406)
PAYG Payable	(57,171)	(26,120)	(26,120)
GST Payable	(87,902)	(11,853)	(11,853)
Refundable Land Deposits	0	(5,000)	(5,000)
Current Employee Benefits Provision	(258,094)	(223,997)	(223,997)
Surplus/(Deficit)	<u>1,911,064</u>	<u>756,049</u>	<u>756,049</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2012 Brought Forward position used in the 2013 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2012 audited financial report.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

25. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR

The Shire of Kulin did not have any specified area rates in 2012/2013.

26. SERVICE CHARGES - 2012/13 FINANCIAL YEAR

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
Television Charge	38	7,340	6,726	7,340	6,726
		7,340	6,726	7,340	6,726

The service charge is for the provision of television re-broadcasting. The charge is applicable to all owners and occupiers within a designated area surrounding the townsite.

The proceeds of the service charge are applied in full to the costs of maintenance and operation.

No transfer to or from reserve accounts has occurred.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2012/13 FINANCIAL YEAR

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	10.00%	135,332	125,000

A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice.

28. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		9,077	7,000
Interest on Instalments Plan	5.50%		2,180	550
Charges on Instalment Plan		10	1,289	500
			12,546	8,050

Ratepayers had the option of paying rates in four equal instalments, due on 28th September 2012, 30th November 2012, 1st February 2013 and 5th April 2013. Administration charges and interest applied for the final three instalments.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

29. FEES & CHARGES	2013	2012
	\$	\$
Governance	19,573	44,637
General Purpose Funding	3,339	3,713
Law, Order, Public Safety	4,925	5,012
Health	0	0
Education and Welfare	92,700	102,182
Housing	138,982	144,135
Community Amenities	71,898	68,462
Recreation and Culture	193,921	225,584
Transport	804	0
Economic Services	125,855	472,554
Other Property and Services	150,926	901,681
	<u>802,923</u>	<u>1,967,960</u>

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

30. GRANT REVENUE

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

By Nature and Type:	2013	2012
	\$	\$
Operating Grants, Subsidies and Contributions	2,138,242	1,963,120
Non-Operating Grants, Subsidies and Contributions	6,589,960	1,937,547
	<u>8,728,202</u>	<u>3,900,667</u>
By Program:		
Governance	0	15,968
General Purpose Funding	1,446,544	1,643,808
Law, Order, Public Safety	405,590	37,750
Health	0	0
Education and Welfare	53,406	78,011
Housing	0	0
Community Amenities	30,448	0
Recreation and Culture	57,859	1,120,527
Transport	2,474,219	915,343
Economic Services	460,960	89,260
Other Property and Services	3,799,176	0
	<u>8,728,202</u>	<u>3,900,667</u>

31. ELECTED MEMBERS REMUNERATION

2013	2013	2012
\$	Budget	\$
	\$	

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

Meeting Fees	10,750	12,000	12,050
President's Allowance	4,000	4,000	4,000
Travelling Expenses	11,311	13,950	11,324
Telecommunications Allowance	8,000	9,600	8,044
	<u>34,061</u>	<u>39,550</u>	<u>35,418</u>

32. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2013	2012
<u>35</u>	<u>31</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

33. MAJOR LAND TRANSACTIONS

Price Street Residential Subdivision

(a) Details

This land was acquired during 2008/09 for residential sub-division. Additional costs are to be incurred by Council in developing the 18 residential lots. This is to include the provision of services such as sewerage, power and transport infrastructure.

(b) Current year transactions	2013 \$	2013 Budget \$	2012 \$
Operating Revenue			
- Profit on sale	0	0	0
Capital Revenue			
- Sale Proceeds	0	0	0
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	0	0	0
	0	0	0

The above capital expenditure is included in land held for resale as disclosed elsewhere in this financial report.

There are no liabilities in relation to this land transaction as at 30 June 2013.

(c) Expected Future Cash Flows

	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	Total \$
(Cash Outflows)						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	0	0	0	0	0	0
Cash Inflows						
- Loan Proceeds	0					0
- Sale Proceeds	40,000	40,000	40,000	40,000	40,000	200,000
	40,000	40,000	40,000	40,000	40,000	200,000
Net Cash Flows	40,000	40,000	40,000	40,000	40,000	200,000

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

33. MAJOR LAND TRANSACTIONS

Kulin West Road Residential Subdivision

(a) Details

This land was acquired during 2008/09 for lifestyle sub-division. Additional costs are to be incurred by Council in developing the 17 lifestyle lots. This is to include the provision of services such as sewerage, power and transport infrastructure.

(b) Current year transactions	2013 \$	2013 Budget \$	2012 \$
Operating Revenue			
- Profit on sale	12,850	0	25,701
Capital Revenue			
- Sale Proceeds	55,000	0	110,000
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

The above capital expenditure is included as land held for resale (refer Note 5).

There are no liabilities in relation to this land transaction as at 30 June 2013.

(c) Expected Future Cash Flows

	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows						
- Loan Proceeds	0	0	0	0	0	0
- Sale Proceeds	55,000	55,000	55,000	55,000	55,000	275,000
	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>275,000</u>
Net Cash Flows	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>275,000</u>

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

35. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,192,259	1,954,580	4,192,259	1,954,580
Receivables	239,002	216,794	239,002	216,794
Investments	0	0	0	0
	<u>4,431,261</u>	<u>2,171,374</u>	<u>4,431,261</u>	<u>2,171,374</u>
Financial Liabilities				
Payables	225,180	116,022	225,180	116,022
Borrowings	1,111,307	1,690,493	1,111,307	1,690,493
	<u>1,336,487</u>	<u>1,806,515</u>	<u>1,336,487</u>	<u>1,806,515</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Investments – based on quoted market prices at the reporting date or at independent valuation.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council'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 and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2013	2012
	\$	\$
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	41,923	19,546
- Statement of Comprehensive Income	41,923	19,546

Notes:

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

Recent market volatility has seen large market movements for certain types of investments.

Impact of a 1% (*) movement in interest rates on cash and investments:

- Equity	4,192	1,955
- Statement of Comprehensive Income	4,192	1,955

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council'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. Council manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council 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 Council's credit risk at balance date was:

	2013	2012
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	70.13%	44.30%
- Overdue	29.87%	55.70%

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2013</u>					
Payables	225,180	0	0	225,180	225,180
Borrowings	133,919	505,665	471,723	1,111,307	1,111,307
	<u>359,099</u>	<u>505,665</u>	<u>471,723</u>	<u>1,336,487</u>	<u>1,336,487</u>
<u>2012</u>					
Payables	116,022	0	0	116,022	116,022
Borrowings	181,813	871,687	636,993	1,690,493	1,690,493
	<u>297,835</u>	<u>871,687</u>	<u>636,993</u>	<u>1,806,515</u>	<u>1,806,515</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013

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. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted</u>
	\$	\$	\$	\$	\$	\$	\$	Average
								Effective
								Interest Rate
								%
<u>Year Ended 30 June 2013</u>								
Payables	225,180							
Borrowings						1,111,307		
Fixed Rate								
Debentures	0	0	0	0	0	1,111,307	1,111,307	5.96%
Weighted Average Effective Interest Rate						5.96%		
<u>Year Ended 30 June 2012</u>								
Payables	116,022							
Borrowings					41,569	1,648,924		
Fixed Rate								
Debentures	0	0	0	0	41,569	1,648,924	1,690,493	6.66%
Weighted Average Effective Interest Rate					5.70%	6.68%		

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**SHIRE OF KULIN
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2013**

RATIO INFORMATION

The following information relates to these 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.

	2013	2012	2011
Asset Consumption Ratio		N/A	N/A
Asset Renewal Funding Ratio		N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.