

Shire of Kulin

2014/2015 Annual Report





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Your Council

Elected Members

| | | |
|----------------------------------|------------------------------|----------------|
| Cr Jim Sullivan (President) | East Ward (Retiring 2019) | (08) 9875 1043 |
| Cr Barry West (Deputy President) | West Ward (Retiring 2019) | (08) 9880 9021 |
| Cr Brad Taylor | Central Ward (Retiring 2019) | (08) 9880 4074 |
| Cr Rob O'Brien | Central Ward (Retiring 2017) | (08) 9880 8007 |
| Cr Rodney Duckworth | West Ward (Retiring 2017) | (08) 9889 0076 |
| Cr Matthew Ledwith | West Ward (Retiring 2017) | (08) 9889 0046 |
| Cr Robbie Bowey | Town Ward (Retiring 2019) | (08) 9880 1236 |
| Cr Haydn McInnes | Town Ward (Retiring 2019) | (08) 9880 1215 |
| Cr Grant Robins | Town Ward (Retiring 2017) | (08) 9880 1329 |



Council Meetings

Full Council meetings are held on the third Wednesday of the month commencing at 1.00pm. By resolution, no meeting is held in the month of January. Residents are reminded that a 15 minute public question time is held at the beginning of each meeting where questions may be asked, with or without notice, of any issue considered relevant to the operation of the Council. In some cases prior notification of a proposed question is considered prudent, particularly if the matter requires some research. Residents are also permitted to attend the whole Council meeting if desired, however are not permitted to speak (unless directed by the President) or take part in debate on any agenda item. Agendas are finalised on the preceding Friday and are available to the Councillors and the public prior to the Meeting.

Council Staff

Staff

| | | |
|-----------------------------------|------------------|---------------------------|
| Chief Executive Officer | Greg Hadlow | ceo@kulin.wa.gov.au |
| Deputy Chief Executive Officer | Cassi Vandenberg | dceo@kulin.wa.gov.au |
| Manager of Works | Len Hobson | works@kulin.wa.gov.au |
| Technical Officer | Michael Robins | to@kulin.wa.gov.au |
| Administration Officer | Mel Edwards | admin@kulin.wa.gov.au |
| Finance Officer - Creditors | Annette Lewis | finance@kulin.wa.gov.au |
| Finance Officer - Rates & Payroll | Nick Grant | rates@kulin.wa.gov.au |
| Executive Support Officer | Nicole Thompson | eso@kulin.wa.gov.au |
| Community Development Officer | Taryn Scadding | cdo@kulin.wa.gov.au |
| Senior Project Officer | Gen Whisson | spo@kulin.wa.gov.au |
| Community Resource Centre Manager | Kate Bishop | rcmgr@kulin.wa.gov.au |
| Pool Manager | Simone Lockyer | |
| Manager of Leisure Services | Simone Lockyer | reccentre@kulin.wa.gov.au |
| Consulting Town Planner | Joe Douglas | admin@kulin.wa.gov.au |
| Consulting Building Surveyor | Hayley Fegan | admin@kulin.wa.gov.au |
| Environmental Health Officer | Lauren Bosch | lbosch@corrigin.wa.gov.au |
| Plant Mechanic | Denis Brandis | |



President's Report

The President was unable to provide a report at this time.



CEO Report

The following is my report covering the activities of the Kulin Shire Council during the 2014/15 Financial Year.

NATIONAL COMPETITION POLICY

In accordance with statutory requirements set down in the National Competition Policy legislation, outlined below is a report on the Shire of Kulin's compliance with the requirements:

Competitive Neutrality

The Shire of Kulin does not have a business activity which generates a user pays income of \$200,000, therefore no obligation exists for the municipality to conduct a Public Benefits test. Nonetheless, the Shire of Kulin remains committed to the principals of Competitive Neutrality.

Legislative Review

The Shire of Kulin has reviewed some Local Laws and has concluded that none restrict competition in anyway. Nonetheless, the Shire of Kulin remains committed to the principals of Legislative Reform.

Structural Reform

The Shire of Kulin has no obligations for structural reform. Nonetheless, the Shire of Kulin remains committed to the principals of Structural Reform.

DISABILITY SERVICES PLAN

Council continues to remain committed to the Disability Services Plan and will undertake improvements to ensure ongoing access to Council Property and Services for people with disabilities as funds become available.

FREEDOM OF INFORMATION

The Shire of Kulin will provide information to people requesting it from Council. Should a request not be met satisfactorily, then a Freedom of Information Application can be lodged with Council. During the year ended 30 June 2013, no Freedom of Information Applications were received.

RECORD KEEPING PLAN

The Shire of Kulin is committed to ensure that all staff, contractors and elected members maintain compliant record keeping practices. New staff are required to complete an induction program and ongoing training with regards to recordkeeping requirements. Accordingly Council continues to maintain a recordkeeping system to be fully compliant with the relevant legislation. An amended Recordkeeping Plan was submitted to the State Records Commission in July 2013.

Greg Hadlow
Chief Executive Officer



Deputy CEO Report

I am pleased to present to elected members, residents and rate payers the 2014/15 Annual Report. The Annual Financial Report shows that Council finished the financial year with surplus of \$1,298,724 which was achieved through the hard work and committed efforts of all staff. It is also very pleasing to note that the use of Reserve funds was kept to a minimum and we currently hold a balance of over \$1,000,000 for future expenditure.

Major works were undertaken on a number of projects, most notably on the construction of the new administration offices, replacement of the bowling greens at the Freebairn Recreation Centre and the finishing touches at the Town's Visitor Discovery Zone. In addition to this more than \$1.5 million dollars was spent on the construction or renewal of our road network. Len mentions these works in more detail in his report. Below I have outlined major capital purchases.

| | |
|--|-------------|
| Road Construction & Renewal | \$1,500,000 |
| Administration Offices | \$600,000 |
| Bowling Greens | \$328,000 |
| Small Vehicles (Utilities & Light MVs) | \$208,000 |
| Wheel Loader | \$205,000 |
| Hino 700 Series Truck | \$164,000 |
| Multi Tyred Roller | \$139,000 |
| Visitor Discovery Zone | \$85,000 |
| Caravan Park Ablutions & Upgrade | \$49,000 |
| Holt Rock Depot Improvements | \$40,000 |
| Recycling Projects | \$23,000 |
| Town Hall Restoration | \$15,000 |
| Recreation Centre Coolroom | \$14,000 |

Local governments are required to include in their annual report the number of employees of the local government entitled to an annual salary of \$100,000 or more, and the number of employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000. For the 2014/15 year the Shire of Kulin had one employee who was entitled to an annual salary exceeding \$100,000 and this employee was paid in the \$150,000 to \$160,000 band.

All residents, clubs and groups are advised that budget submissions for any proposed works are to be lodged with Council in May each year. A copy of the 2015/2016 budget is available on the Shire website www.kulin.wa.gov.au and upon request.

I would like to take this chance to thank the Shire of Kulin Management Team as well as Councillors for their assistance and guidance throughout the year, together we have worked efficiently and effectively to ensure a seamless delivery of services to the community. Most importantly, I would like to thank Council's Administration Team who have worked tirelessly during times of many staff changes. The admin team have continuously provided the support and assistance necessary to ensure maximum productivity and, above all, positive results.

Cassi-Dee Vandenberg
Deputy Chief Executive Officer

Manager Works & Services



Transport Services is responsible for the:

- management of infrastructure assets including road networks, drainage, parks, gardens and waste management
- co-ordination of private works jobs
- street signage

The following road construction program was completed for the 2014/2015 financial year. In total \$1,560,000 was spent on the construction and renewal of our road network. The major road projects completed this year were:

| | |
|-------------------------|----------------------------------|
| Ringaring Varley Road | Reconstruct & Gravel Sheet 5km |
| Gnarming West Road | Reconstruct & Gravel Sheet 3km |
| Modesty Rock East Road | Reconstruct & Gravel Sheet 3km |
| Kukerin Road | Cut & Remove 4 Crests |
| Tom Gray's Road | Reconstruct & Gravel Sheet 3km |
| Hopkins Road | Reconstruct & Gravel Sheet 3km |
| Jilakin Rock North Road | Reconstruct & Gravel Sheet 3km |
| Dandagin Road | Gravel Sheetting |
| Muller Road | Minor Construction Works |
| Kalgarin South Road | Reconstruct & Gravel Sheet 3km |
| Trundle Road | Reconstruct & Gravel Sheet 2.5km |
| Graham Road | Reconstruct & Gravel Sheet 3.5km |
| Holt Rock East Road | Reconstruct & Gravel Sheet 2.5km |
| Commonwealth Road | Reconstruct & Gravel Sheet 3km |
| Gimbel Road | Reconstruct & Gravel Sheet 2.5km |
| 101 Gate Road | Reconstruct & Gravel Sheet 3km |
| Holt Rock North Road | Reconstruct & Gravel Sheet 2.6km |
| Mallee Valley Road | Minor Bitumen Works |
| Lamont Road | Gravel Sheetting |
| Diruso Road | Reconstruct & Gravel Sheet |
| Price Road | Reconstruct & Gravel Sheet 2.5km |
| Tarin Rock North Road | Gravel Sheetting & Bitumen Works |
| Kulin Holt Rock Road | Reconstruct & Gravel Sheet 4km |

Len Hobson

Manager of Works & Services

SHIRE OF KULIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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| Principal place of business: Address 24 Johnston Street Kulin WA 6365 | |

**SHIRE OF KULIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Kulin being the annual financial report and other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Shire of Kulin at 30th June 2015 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 7th day of April 2016



Greg Hadlow
Chief Executive Officer

SHIRE OF KULIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015

| | NOTE | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|---|------|---------------------------------|--------------------------------|---------------------------------|
| Revenue | | | | |
| Rates | 23 | 1,694,718 | 1,695,373 | 1,578,876 |
| Operating Grants, Subsidies and Contributions | 29 | 3,052,440 | 2,588,078 | 2,252,287 |
| Fees and Charges | 28 | 1,587,878 | 1,362,034 | 1,824,474 |
| Service Charges | 25 | 0 | 0 | 0 |
| Interest Earnings | 2(a) | 81,950 | 76,820 | 108,581 |
| Other Revenue | | 590,680 | 36,633 | 313,506 |
| | | <u>7,007,666</u> | <u>5,758,938</u> | <u>6,077,724</u> |
| Expenses | | | | |
| Employee Costs | | (1,960,551) | (2,542,803) | (1,812,153) |
| Materials and Contracts | | (2,050,818) | (1,863,785) | (2,585,103) |
| Utility Charges | | (269,638) | (316,517) | (304,528) |
| Depreciation on Non-Current Assets | 2(a) | (2,090,512) | (2,159,819) | (2,035,830) |
| Interest Expenses | 2(a) | (25,591) | (26,850) | (34,217) |
| Insurance Expenses | | (186,058) | (224,085) | (156,678) |
| Other Expenditure | | (60,645) | (391,110) | (164,020) |
| | | <u>(6,643,812)</u> | <u>(7,524,969)</u> | <u>(7,092,529)</u> |
| | | 363,854 | (1,766,031) | (1,014,805) |
| Non-Operating Grants, Subsidies and Contributions | | | | |
| | 29 | 1,122,933 | 1,317,686 | 2,073,114 |
| Loss on Revaluation of Fixed Assets | 2(a) | 0 | 0 | 0 |
| Profit on Asset Disposals | 21 | 71,080 | 26,855 | 13,076 |
| Loss on Asset Disposals | 21 | (259,143) | (61,781) | (203,985) |
| | | <u>(259,143)</u> | <u>(61,781)</u> | <u>(203,985)</u> |
| NET RESULT | | 1,298,724 | (483,271) | 867,401 |
| Other Comprehensive Income | | | | |
| Changes on Revaluation of Non-Current Assets | 13 | 16,190,558 | 0 | 12,045,322 |
| Total Other Comprehensive Income | | <u>16,190,558</u> | <u>0</u> | <u>12,045,322</u> |
| Total Comprehensive Income | | <u><u>17,489,282</u></u> | <u><u>(483,271)</u></u> | <u><u>12,912,723</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 2015

| | NOTE | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|--|-------------|--------------------|----------------------|--------------------|
| Revenue | | | | |
| Governance | | 68,360 | 12,559 | 47,668 |
| General Purpose Funding | | 4,277,288 | 3,411,564 | 2,425,191 |
| Law, Order, Public Safety | | 44,854 | 46,375 | 52,374 |
| Health | | 0 | 0 | 6,432 |
| Education and Welfare | | 191,832 | 173,570 | 166,862 |
| Housing | | 201,687 | 162,548 | 156,443 |
| Community Amenities | | 81,271 | 21,500 | 79,126 |
| Recreation and Culture | | 232,911 | 264,519 | 220,736 |
| Transport | | 161,500 | 168,955 | 1,056,497 |
| Economic Services | | 1,400,336 | 1,413,975 | 1,143,211 |
| Other Property and Services | | 347,628 | 90,072 | 775,197 |
| | 2(a) | <u>7,007,667</u> | <u>5,765,637</u> | <u>6,129,737</u> |
| Expenses | | | | |
| Governance | | (192,275) | (70,798) | (101,086) |
| General Purpose Funding | | (64,567) | (329,509) | (60,442) |
| Law, Order, Public Safety | | (112,977) | (142,450) | (122,915) |
| Health | | (75,044) | (76,739) | (127,197) |
| Education and Welfare | | (223,598) | (227,425) | (187,317) |
| Housing | | (127,209) | (160,031) | (289,968) |
| Community Amenities | | (293,654) | (365,602) | (347,250) |
| Recreation & Culture | | (1,172,025) | (1,463,478) | (1,461,589) |
| Transport | | (2,330,005) | (2,645,594) | (2,399,875) |
| Economic Services | | (1,895,461) | (1,792,649) | (1,580,188) |
| Other Property and Services | | (131,944) | (229,874) | (432,495) |
| | 2(a) | <u>(6,618,761)</u> | <u>(7,504,149)</u> | <u>(7,110,322)</u> |
| Financial Costs | | | | |
| Housing | | (25,052) | (26,850) | (34,218) |
| | 2(a) | <u>(25,052)</u> | <u>(26,850)</u> | <u>(34,218)</u> |
| Non-Operating Grants, Subsidies and Contributions | | | | |
| Law, Order, Public Safety | | 0 | 0 | 5,700 |
| Education and Welfare | | 0 | 11,040 | 15,000 |
| Housing | | 0 | 0 | 6,773 |
| Community Amenities | | 82,239 | 0 | 17,640 |
| Recreation & Culture | | 244,411 | 223,684 | 344,703 |
| Transport | | 796,283 | 709,240 | 1,062,319 |
| Economic Services | | 0 | 153,722 | 620,978 |
| Other Property and Services | | 0 | 220,000 | 0 |
| | | <u>1,122,933</u> | <u>1,317,686</u> | <u>2,073,113</u> |
| Profit/(Loss) on Disposal of Assets | | | | |
| Governance | | 9,697 | 76 | (171,755) |
| Community Amenities | | 0 | (25,000) | 0 |
| Recreation & Culture | | (3,291) | 0 | 0 |
| Transport | | (194,469) | (10,002) | (19,154) |
| | | <u>(188,063)</u> | <u>(34,926)</u> | <u>(190,909)</u> |
| Net Result | | 1,298,724 | (482,602) | 867,401 |
| Other Comprehensive Income | | | | |
| Changes on revaluation of non-current assets | 13 | 16,190,558 | 0 | 12,045,322 |
| Total Other Comprehensive Income | | <u>16,190,558</u> | <u>0</u> | <u>12,045,322</u> |
| Total Comprehensive Income | | <u>17,489,282</u> | <u>(482,602)</u> | <u>12,912,723</u> |

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

SHIRE OF KULIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015

| | NOTE | 2015 \$ | 2014 \$ |
|---|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 3 | 2,990,965 | 2,531,587 |
| Trade and Other Receivables | 4 | 190,965 | 199,839 |
| Inventories | 5 | <u>1,571,287</u> | <u>1,591,606</u> |
| TOTAL CURRENT ASSETS | | <u>4,753,217</u> | <u>4,323,032</u> |
| NON-CURRENT ASSETS | | | |
| Other Receivables | 4 | 5,000 | 5,620 |
| Work in Progress | 6 | 621,915 | 45,306 |
| Property, Plant and Equipment | 7 | 21,231,008 | 21,186,430 |
| Infrastructure | 8 | <u>51,581,711</u> | <u>35,206,101</u> |
| TOTAL NON-CURRENT ASSETS | | <u>73,439,634</u> | <u>56,443,457</u> |
| TOTAL ASSETS | | <u>78,192,851</u> | <u>60,766,489</u> |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 9 | 304,102 | 263,695 |
| Current Portion of Long Term Borrowings | 10 | 124,645 | 115,654 |
| Provisions | 11 | <u>290,553</u> | <u>353,821</u> |
| TOTAL CURRENT LIABILITIES | | <u>719,299</u> | <u>733,170</u> |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | 10 | 162,518 | 287,469 |
| Provisions | 11 | <u>120,012</u> | <u>44,110</u> |
| TOTAL NON-CURRENT LIABILITIES | | <u>282,530</u> | <u>331,579</u> |
| TOTAL LIABILITIES | | <u>1,001,829</u> | <u>1,064,749</u> |
| | | <u>77,191,023</u> | <u>59,701,740</u> |
| EQUITY | | | |
| Retained Surplus | | 41,383,168 | 39,797,573 |
| Reserves - Cash Backed | 12 | 1,035,409 | 1,322,281 |
| Revaluation Surplus | 13 | <u>34,772,443</u> | <u>18,581,885</u> |
| TOTAL EQUITY | | <u>77,191,020</u> | <u>59,701,740</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 2015**

| | NOTE | RETAINED SURPLUS \$ | RESERVES CASH BACKED \$ | REVALUATION SURPLUS \$ | TOTAL EQUITY \$ |
|--|------|---------------------------|----------------------------------|------------------------------|-----------------------|
| Balance as at 1 July 2013 | | 38,664,568 | 1,587,885 | 6,536,563 | 46,789,016 |
| Comprehensive Income | | | | | |
| Net Result | | 867,401 | 0 | 0 | 867,401 |
| Changes on Revaluation of Non-Current Assets | 13 | 0 | 0 | 12,045,322 | 12,045,322 |
| Total Comprehensive Income | | 867,401 | 0 | 12,045,322 | 12,912,723 |
| Transfers from/(to) Reserves | | 265,604 | (265,604) | 0 | 0 |
| | | 39,797,573 | 1,322,281 | 18,581,885 | 59,701,739 |
| Balance as at 30 June 2014 | | | | | |
| Comprehensive Income | | | | | |
| Net Result | | 1,298,724 | 0 | 0 | 1,298,724 |
| Changes on Revaluation of Non-Current Assets | 13 | 0 | 0 | 16,190,558 | 16,190,558 |
| Total Comprehensive Income | | 1,298,724 | 0 | 16,190,558 | 17,489,282 |
| Transfers from/(to) Reserves | | 286,872 | (286,872) | 0 | 0 |
| | | 41,383,169 | 1,035,410 | 34,772,443 | 77,191,021 |
| Balance as at 30 June 2015 | | | | | |

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 2015**

| | NOTE | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|---|-------|-------------------------|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | | | |
| Receipts | | | | |
| Rates | | 1,670,589 | 1,695,374 | 1,540,111 |
| Operating Grants, Subsidies and Contributions | | 3,074,439 | 2,589,941 | 2,271,702 |
| Fees and Charges | | 1,587,878 | 1,362,034 | 1,824,474 |
| Service Charges | | 0 | 0 | 0 |
| Interest Earnings | | 81,950 | 76,820 | 108,581 |
| Goods and Services Tax | | 11,625 | 150,000 | 57,975 |
| Other Revenue | | 590,680 | 36,633 | 313,506 |
| | | <u>7,017,161</u> | <u>5,910,802</u> | <u>6,116,349</u> |
| Payments | | | | |
| Employee Costs | | (1,884,569) | (2,521,872) | (1,859,351) |
| Materials and Contracts | | (2,021,286) | (1,762,528) | (1,803,617) |
| Utility Charges | | (269,638) | (316,517) | (304,528) |
| Interest Expenses | | (25,591) | (26,850) | (34,217) |
| Insurance Expenses | | (186,058) | (224,085) | (156,678) |
| Goods and Services Tax | | 0 | (150,000) | 0 |
| Other Expenditure | | (60,645) | (440,660) | (169,315) |
| | | <u>(4,447,787)</u> | <u>(5,442,512)</u> | <u>(4,327,706)</u> |
| Net Cash Provided By (Used In) Operating Activities | 14(b) | <u>2,569,373</u> | <u>468,290</u> | <u>1,788,643</u> |
| Cash Flows from Investing Activities | | | | |
| Payments for Development of Land Held for Resale | | | | |
| Payments for Purchase of Property, Plant & Equipment | | (1,813,761) | (2,236,700) | (1,960,615) |
| Payments for Construction of Infrastructure | | (1,598,981) | (1,234,358) | (3,177,068) |
| Advances to Community Groups | | 0 | | |
| Non-Operating Grants, Subsidies and Contributions | | 1,122,933 | 1,317,686 | 2,073,114 |
| Proceeds from Sale of Fixed Assets | | 295,778 | 375,000 | 323,440 |
| Proceeds from Advances | | 0 | | |
| | | <u>(1,994,032)</u> | <u>(1,778,372)</u> | <u>(2,741,129)</u> |
| Net Cash Provided by (Used in) Investment Activities | | <u>(1,994,032)</u> | <u>(1,778,372)</u> | <u>(2,741,129)</u> |
| Cash Flows from Financing Activities | | | | |
| Repayment of Debentures | | (115,960) | (115,654) | (708,186) |
| Proceeds from Self Supporting Loans | | 0 | | |
| Proceeds from New Debentures | | 0 | 500,000 | |
| | | <u>(115,960)</u> | <u>384,346</u> | <u>(708,186)</u> |
| Net Cash Provided By (Used In) Financing Activities | | <u>(115,960)</u> | <u>384,346</u> | <u>(708,186)</u> |
| Net Increase (Decrease) in Cash Held | | 459,380 | (925,736) | (1,660,672) |
| Cash at Beginning of Year | | 2,531,587 | 2,625,374 | 4,192,259 |
| Cash and Cash Equivalents at the End of the Year | 14(a) | <u><u>2,990,966</u></u> | <u><u>1,699,638</u></u> | <u><u>2,531,587</u></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 2015**

| | NOTE | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Governance | | 79,687 | 12,635 | 47,668 |
| General Purpose Funding | | 2,582,570 | 1,715,522 | 846,315 |
| Law, Order, Public Safety | | 44,854 | 46,375 | 58,074 |
| Health | | 0 | 0 | 6,432 |
| Education and Welfare | | 191,832 | 184,610 | 181,862 |
| Housing | | 201,687 | 162,548 | 163,216 |
| Community Amenities | | 163,510 | (3,500) | 96,766 |
| Recreation and Culture | | 477,322 | 488,203 | 565,439 |
| Transport | | 1,017,536 | 868,193 | 2,131,892 |
| Economic Services | | 1,400,336 | 1,567,697 | 1,764,189 |
| Other Property and Services | | 348,279 | 310,072 | 780,960 |
| | | <u>6,507,613</u> | <u>5,352,355</u> | <u>6,642,813</u> |
| Expenses | | | | |
| Governance | | (193,905) | (70,798) | (272,841) |
| General Purpose Funding | | (64,567) | (329,509) | (60,442) |
| Law, Order, Public Safety | | (112,977) | (142,450) | (122,915) |
| Health | | (75,044) | (76,739) | (127,197) |
| Education and Welfare | | (223,598) | (227,425) | (187,317) |
| Housing | | (152,261) | (186,881) | (324,186) |
| Community Amenities | | (293,654) | (365,602) | (347,250) |
| Recreation and Culture | | (1,175,316) | (1,463,478) | (1,461,589) |
| Transport | | (2,584,227) | (2,645,594) | (2,432,105) |
| Economic Services | | (1,895,461) | (1,792,649) | (1,580,495) |
| Other Property and Services | | (131,944) | (229,874) | (434,495) |
| | | <u>(6,902,954)</u> | <u>(7,530,999)</u> | <u>(7,350,832)</u> |
| Net Result Excluding Rates | | (395,341) | (2,178,644) | (708,019) |
| Adjustments for Cash Budget Requirements: | | | | |
| Initial Recognition of Assets Due to Change to Regulations | | | | |
| - Land | | 0 | 0 | |
| (Profit)/Loss on Asset Disposals | 21 | 188,063 | 34,926 | 190,909 |
| Movement in Deferred Pensioner Rates (Non-Current) | | 602 | 0 | (121) |
| Movement in Employee Benefit Provisions (Non-current) | | 75,902 | 0 | (94,879) |
| Depreciation and Amortisation on Assets | 2(a) | 2,090,512 | 2,159,819 | 2,035,830 |
| Capital Expenditure and Revenue | | | | |
| Purchase Land Held for Resale | | | 0 | 461,761 |
| Purchase Land and Buildings | 7(a) | (461,199) | (1,406,200) | (411,233) |
| Purchase Furniture and Equipment | 7(a) | (18,261) | (15,500) | (12,963) |
| Purchase Plant and Equipment | 7(a) | (343,900) | (815,000) | (745,264) |
| Purchase Motor Vehicles | 7(a) | (381,638) | 0 | (238,155) |
| Purchase Construction in Progress | 7(a) | (608,763) | 0 | (32,154) |
| Purchase Construction Other than Buildings | 7(a) | 0 | 0 | (61,090) |
| Purchase Roads & Drainage | 8(a) | (1,512,941) | (992,391) | (2,004,558) |
| Purchase Footpaths & Kerbing | 8(a) | 0 | | |
| Purchase Recreation | 8(a) | (86,040) | (241,967) | (969,479) |
| Proceeds from Disposal of Fixed Assets | 21 | 295,778 | 375,000 | 323,440 |
| Repayment of Debentures | 22(a) | (115,960) | (115,654) | (708,186) |
| Proceeds from New Debentures | 22(a) | 0 | 500,000 | 0 |
| Transfers to Reserves (Restricted Assets) | 12 | (251,285) | (254,823) | (76,896) |
| Transfers from Reserves (Restricted Assets) | 12 | 538,157 | 463,780 | 342,500 |
| ADD Estimated Surplus/(Deficit) July 1 B/Fwd | 23(b) | 763,124 | 857,584 | 1,911,064 |
| LESS Estimated Surplus/(Deficit) June 30 C/Fwd | 23(b) | 1,435,862 | 66,304 | 763,124 |
| Total Amount Raised from General Rate | 23(a) | <u>(1,694,718)</u> | <u>(1,695,374)</u> | <u>(1,578,878)</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 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

The Local Government Reporting Entity

All Funds through which the 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. A separate statement of those monies appears at Note 20. to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents

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

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

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land Held for Sale

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

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.

In 2013, Council 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 was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

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

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 2014.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

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

Revaluation

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

Transitional Arrangements

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.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

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

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) 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 (i.e. trade date accounting is adopted).

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council 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 non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

In accordance with Australian Accounting Standards the 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 (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the 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.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

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

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

(l) Borrowing Costs

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

(n) Leases

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

(o) Investment in Associates

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

The carrying amount of the investment includes, where applicable, 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.

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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 sale where it is held as non-current based on the Council's intentions to release for sale.

(t) Rounding Off Figures

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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 pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|--|-------------------|---------------------------|--|
| (i) AASB 9 – Financial Instruments | December 2014 | 1 January 2018 | Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect. |
| (ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | September 2012 | 1 January 2018 | 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, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] | | | |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|---|-------------------|---------------------------|--|
| (iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] | December 2012 | 1 January 2014 | Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council. |
| (iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] | June 2012 | 1 January 2014 | This Standard adds application guidance to AASB 132: Financial Instruments: Presentation 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. This Standard is not expected to significantly impact the Council’s financial statements. |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| Title | Issued / Compiled | Applicable ⁽¹⁾ | Impact |
|---|-------------------|---------------------------|--|
| (v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets | June 2013 | 1 January 2014 | <p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p> <p>It is not expected to have a significant impact on Council.</p> |
| (vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049] | October 2013 | 1 January 2014 | <p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p> |
| (vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015] | December 2013 | Refer Title column | <p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p> |

Notes:

⁽¹⁾ 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 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 were compiled, became mandatory and which were applicable to its operations.

These new and revised standards were:

| | | |
|----------|----------------|----------------|
| AASB 10 | AASB 128 | AASB 2012 - 2 |
| AASB 11 | AASB 2011 - 7 | AASB 2012 - 3 |
| AASB 12 | AASB 2011 - 9 | AASB 2012 - 5 |
| AASB 119 | AASB 2011 - 10 | AASB 2012 - 10 |
| AASB 127 | | |

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, 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.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| 2. REVENUE AND EXPENSES | 2015 | 2014 | |
|---|------------------|------------------|----------------|
| | \$ | \$ | |
| Net Result | | | |
| The Net Result includes: | | | |
| (i) Charging as an Expense: | | | |
| Auditors Remuneration | | | |
| - Audit of the annual financial report | 15,000 | 14,000 | |
| - Other audits | 0 | 2,870 | |
| Depreciation | | | |
| Land and Buildings | 354,679 | 337,849 | |
| Furniture and Equipment | 30,471 | 27,404 | |
| Plant and Equipment | 350,477 | 323,085 | |
| Construction other than buildings | 21,176 | 20,387 | |
| Motor Vehicles | 177,290 | 248,470 | |
| Roads | 982,243 | 914,278 | |
| Footpaths | 11,654 | 13,990 | |
| Drainage | 10,785 | 10,785 | |
| Recreation | 119,974 | 120,300 | |
| Other Infrastructure | 31,762 | 19,282 | |
| | <u>2,090,512</u> | <u>2,035,830</u> | |
| Interest Expenses (Finance Costs) | | | |
| Debentures (<i>refer Note 21.(a)</i>) | 25,052 | 34,217 | |
| Interest Charges | 538 | 0 | |
| | <u>25,591</u> | <u>34,217</u> | |
| Other Revenue | | | |
| Other | 590,680 | 313,506 | |
| | <u>590,680</u> | <u>313,506</u> | |
| | 2015 | 2015 | 2014 |
| | Actual | Budget | Actual |
| | \$ | \$ | \$ |
| Interest Earnings | | | |
| - Reserve Funds | 43,469 | 46,820 | 57,900 |
| - Municipal Fund | 25,629 | 20,000 | 37,285 |
| Other Interest Revenue (<i>refer note 27</i>) | 12,851 | 10,000 | 13,396 |
| | <u>81,949</u> | <u>76,820</u> | <u>108,581</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

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

GOVERNANCE

Objective:

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

Activities:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

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

EDUCATION AND WELFARE

Objective:

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

Activities:

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

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

Provision and maintenance of elderly residents housing.

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

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

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES (Continued)

| Conditions Over Grants/Contributions | Function/ Activity | Closing Balance ⁽¹⁾ 30/06/14 \$ | Received ⁽²⁾ 2014/15 \$ | Expended ⁽³⁾ 2014/15 \$ | Closing Balance 30/06/15 \$ |
|---|----------------------------|---|--|--|--------------------------------------|
| Grant/Contribution | | | | | |
| WA Grants Commission | General Purpose | 0 | 2,497,120 | (2,497,120) | 0 |
| DFES - ESL Operating Grant | Law, Order & Public Safety | 0 | 36,125 | (36,125) | 0 |
| DFES - ESL Capital Grant (Fire Shed) | Law, Order & Public Safety | 0 | 7,500 | (7,500) | 0 |
| DSS - Sustainability Funding | Education & Welfare | 0 | 54,566 | (54,566) | 0 |
| DSS - Operating Grant | Education & Welfare | 0 | 11,243 | (11,243) | 0 |
| Department Veteran Affairs (War Memorial) | Community Amenities | 0 | 17,273 | (17,273) | 0 |
| Community Garden | Community Amenities | 0 | 20,000 | 0 | 20,000 |
| Transfer Station Grant | Community Amenities | 0 | 44,966 | (44,966) | 0 |
| Memorial Hall Grant | Recreation & Culture | 0 | 13,455 | 0 | 13,455 |
| Swimming Pool Operations Grant | Recreation & Culture | 0 | 30,000 | (30,000) | 0 |
| DSR (Narembeen) - Bowling Green Grant | Recreation & Culture | 0 | 177,272 | (177,272) | 0 |
| Wheatbelt Natural Resource Management | Recreation & Culture | 0 | 53,685 | (53,685) | 0 |
| Regional Road Group | Transport | 0 | 340,180 | (340,180) | 0 |
| Main Roads Direct Grant | Transport | 0 | 161,500 | (161,500) | 0 |
| Roads to Recovery | Transport | 0 | 456,103 | (456,103) | 0 |
| Camp Kulin - Various Grant Funding | Economic Services | 0 | 117,503 | (41,580) | 75,923 |
| Department of Regional Development - CRC | Economic Services | 0 | 113,000 | (113,000) | 0 |
| Department of Water (Miletone One) | Economic Services | 0 | 0 | 0 | 0 |
| Total | | 0 | 4,151,490 | (4,042,112) | 109,378 |

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | Note | 2015 \$ | 2014 \$ |
|---|------|-------------------------|-------------------------|
| 3. CASH AND CASH EQUIVALENTS | | | |
| Unrestricted | | 1,793,266 | 1,113,824 |
| Restricted | | <u>1,197,699</u> | <u>1,417,763</u> |
| | | <u><u>2,990,965</u></u> | <u><u>2,531,587</u></u> |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | | |
| Leave Reserve | 12 | 140,136 | 135,650 |
| Plant Reserve | 12 | 124,478 | 23,694 |
| Building Reserve | 12 | 201,289 | 147,149 |
| Freebairn Estate Reserve | 12 | 35,726 | 34,582 |
| Administration Equipment Reserve | 12 | 60,417 | 58,483 |
| Joint Venture Housing Reserve | 12 | 86,430 | 83,663 |
| Freebairn Recreation Centre Reserve | 12 | 113,706 | 231,319 |
| Insurance Reserve | 12 | 104,437 | 79,798 |
| Town Planning Reserve | 12 | 14,372 | 13,912 |
| Natural Disaster Reserve | 12 | 128,489 | 124,376 |
| FRC Surface Replacement Reserve | 12 | 25,930 | 13,929 |
| General Purpose Reserve | 12 | 0 | 375,727 |
| Kulin Bush Races | 12 | 162,288 | 95,482 |
| Unspent Grants | 2(c) | <u>109,378</u> | <u>0</u> |
| | | <u><u>1,307,077</u></u> | <u><u>1,417,763</u></u> |
| 4. TRADE AND OTHER RECEIVABLES | | | |
| Current | | | |
| Rates Outstanding | | 118,022 | 93,273 |
| Sundry Debtors | | 29,034 | 50,981 |
| GST Receivable | | 40,664 | 52,289 |
| Fuel Tax Credit | | <u>3,244</u> | <u>3,296</u> |
| | | <u><u>190,964</u></u> | <u><u>199,839</u></u> |
| Non-Current | | | |
| Rates Outstanding - Pensioners | | 0 | 620 |
| Investments | | <u>5,000</u> | <u>5,000</u> |
| | | <u><u>5,000</u></u> | <u><u>5,620</u></u> |
| Land Held for Resale - Cost | | | |
| Development Costs | | <u>1,525,000</u> | <u>1,525,000</u> |
| | | <u><u>1,571,287</u></u> | <u><u>1,591,606</u></u> |
| 5. INVENTORIES | | | |
| Current | | | |
| Fuel and Materials | | 32,062 | 47,303 |
| Freebairn Recreation Club Stock | | 14,225 | 19,303 |
| Development Costs | | <u>1,525,000</u> | <u>1,525,000</u> |
| | | <u><u>1,571,287</u></u> | <u><u>1,591,606</u></u> |
| Non-Current | | | |
| Land Held for Resale - Cost | | | |
| Cost of Acquisition | | 0 | 0 |
| Development Costs | | <u>0</u> | <u>0</u> |
| | | <u><u>0</u></u> | <u><u>0</u></u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | 2015 \$ | 2014 \$ |
|---|-------------------|-------------------|
| 6. WORK IN PROGRESS | | |
| Pool Carpark | 4,589 | 4,589 |
| Office Relocation | 617,326 | 8,564 |
| Carvan Park | 0 | 32,153 |
| | <u>621,915</u> | <u>45,306</u> |
| 7. PROPERTY, PLANT AND EQUIPMENT | | |
| Land & Buildings at: | | |
| - Independent Valuation 2014 | 16,928,000 | 16,928,000 |
| - Cost | 1,274,903 | 837,352 |
| Less: Accumulated Depreciation | <u>(692,528)</u> | <u>(337,849)</u> |
| | 17,510,375 | 17,427,503 |
| | | |
| Total Buildings | <u>17,510,375</u> | <u>17,783,836</u> |
| | | |
| Total Land and Buildings | <u>17,510,375</u> | <u>17,783,836</u> |
| | | |
| Furniture and Equipment at: | | |
| - Management Valuation 2013 | 669,458 | 669,458 |
| - Additions after Valuation 2014 - Cost | 12,963 | 12,963 |
| - Additions after Valuation - Cost | 18,261 | 0 |
| Less Accumulated Depreciation | <u>(652,773)</u> | <u>(622,302)</u> |
| | 47,909 | 60,119 |
| | | |
| Plant and Equipment at: | | |
| - Management Valuation 2013 | 2,285,769 | 2,395,769 |
| - Additions after Valuation 2014 - Cost | 811,055 | 811,055 |
| - Additions after Valuation - Cost | 343,900 | 0 |
| Less Accumulated Depreciation | <u>(943,367)</u> | <u>(625,889)</u> |
| | 2,497,357 | 2,580,935 |
| | | |
| Motor Vehicles at: | | |
| - Management Valuation 2013 | 582,452 | 745,630 |
| - Additions after Valuation 2014 - Cost | 175,608 | 238,155 |
| - Additions after Valuation - Cost | 381,638 | 0 |
| Less Accumulated Depreciation | <u>(323,137)</u> | <u>(222,245)</u> |
| | 816,561 | 761,540 |
| | | |
| Construction Other than Buildings at: | | |
| - Independent Valuation 2014 | 469,928 | 469,928 |
| - Cost | 84,738 | 61,090 |
| Less: Accumulated Depreciation | <u>(195,860)</u> | <u>(174,685)</u> |
| | 358,806 | 356,333 |
| | | |
| | <u>21,231,008</u> | <u>21,186,430</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and Buildings

The Shire's land and buildings were revalued at 01 July 2013 by an independent valuers. In relation to land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices current condition (level 2), residual values and remaining useful life assessments (level 3).

Given the significance of the Level 3 inputs into the overall fair value measurements, these specialised buildings assets are deemed to have been valued using level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$ 12,045,322 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

Furniture & Equipment and Plant & Equipment

Both furniture and equipment and plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst additions since that time are shown at cost, given they were acquired at arm's length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. As such, the value is considered to be in accordance with Local Government (Financial Management Regulation 17A (2) which requires these assets to be shown at fair value. They will be valued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

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

| | | Balance at the Beginning of the Year | Additions | (Disposals) | Revaluation Increments/ (Decrements) | Impairment (Losses)/ Reversals | Depreciation (Expense) | Carrying Amount at the End of Year |
|--|-----------|---|------------------|--------------------|---|---|-----------------------------------|---|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land & Buildings | (Level 2) | 17,427,503 | 437,551 | 0 | 0 | 0 | (354,679) | 17,510,375 |
| Construction Other than Buildings | (Level 3) | 356,333 | 23,648 | 0 | 0 | 0 | (21,176) | 358,805 |
| Total Buildings | | 17,783,836 | 461,199 | 0 | 0 | 0 | (375,855) | 17,869,180 |
| Total Land and Buildings | | 17,783,836 | 461,199 | 0 | 0 | 0 | (375,855) | 17,869,180 |
| Furniture and Equipment | (Level 3) | 60,119 | 18,261 | 0 | 0 | 0 | (30,471) | 47,909 |
| Plant and Equipment | (Level 2) | 2,580,935 | 343,900 | (77,000) | 0 | 0 | (350,477) | 2,497,358 |
| Motor Vehicles | (Level 1) | 761,540 | 381,638 | (149,327) | 0 | 0 | (177,290) | 816,561 |
| Construction in Progress | (Level 3) | 0 | 608,763 | (32,153) | 0 | 0 | 0 | 576,610 |
| Total Property, Plant and Equipment | | 21,186,430 | 1,813,761 | (258,480) | 0 | 0 | (934,094) | 21,807,617 |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | 2015 | 2014 |
|------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| 8. INFRASTRUCTURE | | |
| Roads & Drainage | | |
| - Management Valuation 2015 | 76,963,879 | 0 |
| - Additions after Valuation - Cost | 0 | 0 |
| - Cost | 0 | 49,144,970 |
| Less Accumulated Depreciation | <u>(32,330,294)</u> | <u>(19,698,888)</u> |
| | 44,633,585 | 29,446,082 |
| | | |
| Footpaths & Kerbing | | |
| - Management Valuation 2015 | 1,309,740 | 0 |
| - Additions after Valuation - Cost | 0 | 0 |
| - Cost | 0 | 470,382 |
| Less Accumulated Depreciation | <u>(654,870)</u> | <u>(153,950)</u> |
| | 654,870 | 316,432 |
| | | |
| Drainage | | |
| - Management Valuation 2015 | 0 | 0 |
| - Additions after Valuation - Cost | 0 | 0 |
| - Cost | 0 | 215,691 |
| Less Accumulated Depreciation | <u>0</u> | <u>(96,340)</u> |
| | 0 | 119,351 |
| | | |
| Recreation | | |
| - Management Valuation 2015 | 5,426,550 | 0 |
| - Additions after Valuation - Cost | 0 | 0 |
| - Cost | 0 | 5,376,151 |
| Less Accumulated Depreciation | <u>(24,942)</u> | <u>(844,501)</u> |
| | 5,401,608 | 4,531,650 |
| | | |
| Other Infrastructure | | |
| - Management Valuation 2015 | 1,058,393 | 0 |
| - Additions after Valuation - Cost | 0 | 0 |
| - User Defined | 0 | 968,414 |
| Less Accumulated Depreciation | <u>(166,745)</u> | <u>(175,828)</u> |
| | 891,648 | 792,586 |
| | <u>51,581,711</u> | <u>35,206,101</u> |

Roads:

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown at cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current conditions.

This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which required infrastructure to be shown at fair value.

SHIRE OF KULIN
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8. 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.

| | | Balance as at the Beginning of the Year | Additions | (Disposals) | Revaluation Increments/ (Decrements) | Impairment (Losses)/ Reversals | Depreciation (Expense) | Carrying Amount at the End of Year |
|----------------------|-----------|--|-------------------------|-------------------------|---|---|-----------------------------------|---|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Roads & Drainage | (Level 3) | 29,565,433 | 1,512,941 | 0 | 14,802,103 | 0 | (993,028) | 44,887,448 |
| Footpaths & Kerbing | (Level 3) | 316,432 | 0 | 0 | 456,122 | 0 | (11,654) | 760,900 |
| Recreation | (Level 3) | 4,531,650 | 86,040 | 0 | 932,341 | 0 | (119,974) | 5,430,058 |
| Other Infrastructure | (Level 3) | 792,586 | 0 | (257,512) | 0 | 0 | (31,762) | 503,312 |
| Total | | <u>35,206,101</u> | <u>1,598,981</u> | <u>(257,512)</u> | <u>16,190,566</u> | <u>0</u> | <u>(1,156,418)</u> | <u>51,581,717</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | 2015 | 2014 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| 9. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Sundry Creditors | 147,629 | 180,117 |
| Accrued Interest on Debentures | 0 | 0 |
| Accrued Salaries and Wages | 66,008 | 21,267 |
| ATO Liabilities | 80,918 | 62,311 |
| General Clearing Account | 9,547 | 0 |
| | <u>304,102</u> | <u>263,695</u> |

10. LONG-TERM BORROWINGS

| | | |
|---------------------------------------|----------------|----------------|
| Current | | |
| Secured by Floating Charge Debentures | 124,645 | 115,654 |
| | <u>124,645</u> | <u>115,654</u> |
| Non-Current | | |
| Secured by Floating Charge Debentures | 162,518 | 287,469 |
| | <u>162,518</u> | <u>287,469</u> |

Additional detail on borrowings is provided in Note 23.

PROVISIONS

Analysis of Total Provisions

| | | |
|-------------|----------------|----------------|
| Current | 290,553 | 353,821 |
| Non-Current | 120,012 | 44,110 |
| | <u>410,565</u> | <u>397,931</u> |

| | Provision for Annual Leave \$ | Provision for Long Service Leave \$ | Total \$ |
|---|--|--|---------------------|
| Opening balance at 1 July 2014 | 199,783 | 198,148 | 397,931 |
| Additional provision | 186,473 | 4,149 | 190,622 |
| Amounts used | (159,617) | (18,371) | (177,988) |
| Used amount reserved | 0 | 0 | 0 |
| Increase in the discounted amount arising because of time and the effect of any change in the discounted rate | 0 | 0 | 0 |
| Balance at 30 June 2015 | <u>226,639</u> | <u>183,926</u> | <u>410,565</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|--|----------------|----------------------|----------------|
| 12. RESERVES - CASH BACKED | | | |
| (a) Leave Reserve | | | |
| Opening Balance | 135,650 | 135,660 | 130,878 |
| Amount Set Aside / Transfer to Reserve | 4,486 | 4,748 | 4,772 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>140,136</u> | <u>140,408</u> | <u>135,650</u> |
| (b) Plant Reserve | | | |
| Opening Balance | 23,694 | 23,694 | 215,825 |
| Amount Set Aside / Transfer to Reserve | 100,784 | 100,829 | 7,869 |
| Amount Used / Transfer from Reserve | 0 | 0 | (200,000) |
| | <u>124,478</u> | <u>124,523</u> | <u>23,694</u> |
| (c) Building Reserve | | | |
| Opening Balance | 147,149 | 147,149 | 141,972 |
| Amount Set Aside / Transfer to Reserve | 54,140 | 5,150 | 5,177 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>201,289</u> | <u>152,299</u> | <u>147,149</u> |
| (d) Freebairn Estate Reserve | | | |
| Opening Balance | 34,582 | 58,483 | 33,366 |
| Amount Set Aside / Transfer to Reserve | 1,144 | 2,047 | 1,216 |
| Amount Used / Transfer from Reserve | 0 | (60,500) | 0 |
| | <u>35,726</u> | <u>30</u> | <u>34,582</u> |
| (e) Administration Equipment Reserve | | | |
| Opening Balance | 58,483 | 34,582 | 56,425 |
| Amount Set Aside / Transfer to Reserve | 1,934 | 1,210 | 2,058 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>60,417</u> | <u>35,792</u> | <u>58,483</u> |
| (f) Joint Venture Housing Reserve | | | |
| Opening Balance | 83,663 | 83,663 | 80,720 |
| Amount Set Aside / Transfer to Reserve | 2,767 | 2,928 | 2,943 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>86,430</u> | <u>86,591</u> | <u>83,663</u> |
| (g) Freebairn Recreation Centre Reserve | | | |
| Opening Balance | 231,319 | 79,797 | 199,060 |
| Amount Set Aside / Transfer to Reserve | 32,388 | 24,793 | 32,259 |
| Amount Used / Transfer from Reserve | (150,000) | 0 | 0 |
| | <u>113,706</u> | <u>104,590</u> | <u>231,319</u> |
| (h) Insurance Reserve | | | |
| Opening Balance | 79,798 | 231,319 | 71,201 |
| Amount Set Aside / Transfer to Reserve | 24,639 | 33,096 | 8,597 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>104,437</u> | <u>264,415</u> | <u>79,798</u> |
| (i) Town Planning Reserve | | | |
| Opening Balance | 13,912 | 13,912 | 25,000 |
| Amount Set Aside / Transfer to Reserve | 460 | 488 | (11,088) |
| Amount Used / Transfer from Reserve | 0 | (14,400) | 0 |
| | <u>14,372</u> | <u>0</u> | <u>13,912</u> |

SHIRE OF KULIN
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| | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|--|------------------|----------------------|------------------|
| 12. RESERVES - CASH BACKED | | | |
| (j) Natural Disaster Reserve | | | |
| Opening Balance | 124,376 | 124,376 | 120,000 |
| Amount Set Aside / Transfer to Reserve | 4,113 | 4,353 | 4,376 |
| Amount Used / Transfer from Reserve | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>128,489</u> | <u>128,729</u> | <u>124,376</u> |
| (k) FRC Surface Replacement Reserve | | | |
| Opening Balance | 13,929 | 13,929 | 13,439 |
| Amount Set Aside / Transfer to Reserve | 12,001 | 12,028 | 490 |
| Amount Used / Transfer from Reserve | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>25,930</u> | <u>25,957</u> | <u>13,929</u> |
| (l) General Purpose Reserve | | | |
| Opening Balance | 375,727 | 375,727 | 500,000 |
| Amount Set Aside / Transfer to Reserve | 12,430 | 63,153 | 18,227 |
| Amount Used / Transfer from Reserve | <u>(388,157)</u> | <u>(388,880)</u> | <u>(142,500)</u> |
| | <u>0</u> | <u>50,000</u> | <u>375,727</u> |
| TOTAL RESERVES | <u>1,035,410</u> | <u>1,113,334</u> | <u>1,322,282</u> |
| Total Opening Balance | 1,322,282 | 1,322,291 | 1,587,886 |
| Total Amount Set Aside / Transfer to Reserve | 251,285 | 254,823 | 76,896 |
| Total Amount Used / Transfer from Reserve | <u>(538,157)</u> | <u>(463,780)</u> | <u>(342,500)</u> |
| TOTAL RESERVES | <u>1,035,411</u> | <u>1,113,334</u> | <u>1,322,282</u> |

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

SHIRE OF KULIN
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12. RESERVES - CASH BACKED (continued)

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

- (a) Leave Reserve**
 - to be used to fund annual and long service leave requirements
- (b) Plant Reserve**
 - to be used for the purchase of major plant
- (c) Building Reserve**
 - to be used for the purpose of developing future housing
- (d) Administration Equipment Reserve**
 - to be used to ensure that the administration equipment is maintained
- (e) Freebairn Estate Reserve**
 - to be used in maintaining and developing sport and recreation services
- (f) Joint Venture Housing Reserve**
 - to be used in maintaining buildings previously constructed under joint venture housing arrangements
- (g) Freebairn Recreation Centre Reserve**
 - to be used in maintaining the existing Freebairn Recreation Reserve
- (h) Insurance Reserve**
 - to be used for Council Representation
- (i) Natural Disaster Reserve**
 - to be used to fund road and infrastructure restoration in the event of a natural disaster in the Shire
- (j) FRC Surface Replacement Reserve**
 - to be used to replace FRC sports surfaces and other equipment as necessary
- (k) General Purpose Reserve**
 - to be used for future repayments of loans and/or at the discretion of Council during future budget deliberations.

SHIRE OF KULIN
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FOR THE YEAR ENDED 30TH JUNE 2015

| 13. REVALUATION SURPLUS | 2015 | 2014 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| Revaluation surpluses have arisen on revaluation of the following classes of non-current assets: | | |
| (a) Land & Buildings | | |
| Opening Balance | 12,045,322 | 0 |
| Revaluation Increment | 0 | 12,045,322 |
| Revaluation Decrement | | |
| | <u>12,045,322</u> | <u>12,045,322</u> |
| (b) Plant & Equipment | | |
| Opening Balance | 1,015,602 | 1,015,602 |
| Revaluation Increment | 0 | 0 |
| Revaluation Decrement | | |
| | <u>1,015,602</u> | <u>1,015,602</u> |
| (c) Infrastructure | | |
| Opening Balance | 5,520,961 | 5,520,961 |
| Revaluation Increment | 16,190,558 | 0 |
| Revaluation Decrement | | |
| | <u>21,711,519</u> | <u>5,520,961</u> |
| TOTAL ASSET REVALUATION SURPLUS | <u><u>34,772,444</u></u> | <u><u>18,581,885</u></u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

| | 2015 \$ | 2015 Budget \$ | 2014 \$ |
|---------------------------|------------------|----------------------|------------------|
| Cash and Cash Equivalents | <u>2,990,965</u> | <u>1,699,638</u> | <u>2,531,587</u> |

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

| | | | |
|--|------------------|----------------|------------------|
| Net Result | 1,298,724 | (483,271) | 867,401 |
| Depreciation | 2,090,512 | 2,159,819 | 2,035,830 |
| (Profit)/Loss on Sale of Asset | 188,063 | 34,926 | 190,909 |
| (Increase)/Decrease in Receivables | 9,495 | (1,863) | 35,329 |
| (Increase)/Decrease in Inventories | 20,319 | (13,394) | 28,793 |
| (Increase)/Decrease in Work in Progress | 32,154 | 0 | 662,789 |
| Increase/(Decrease) in Payables | 40,406 | 81,651 | 39,857 |
| Increase/(Decrease) in Employee Provisions | 12,634 | 8,000 | 849 |
| Grants Contributions for the Development of Assets | (1,122,933) | (1,317,686) | (2,073,114) |
| Loss on Revaluation of Fixed Assets | 0 | | |
| Non-Current Assets recognised due to changes in legislative requirements | 0 | 0 | 0 |
| Net Cash from Operating Activities | <u>2,569,373</u> | <u>468,182</u> | <u>1,788,642</u> |

| | 2015 \$ | 2014 \$ |
|--|----------------|----------------|
| (c) Undrawn Borrowing Facilities | | |
| Credit Standby Arrangements | | |
| Bank Overdraft limit | 0 | 0 |
| Bank Overdraft at Balance Date | 0 | 0 |
| Credit Card limit | 10,000 | 10,000 |
| Credit Card Balance at Balance Date | <u>1,511</u> | <u>1,198</u> |
| Total Amount of Credit Unused | <u>11,511</u> | <u>11,198</u> |
| Loan Facilities | | |
| Loan Facilities - Current | 124,645 | 115,654 |
| Loan Facilities - Non-Current | <u>162,518</u> | <u>287,469</u> |
| Total Facilities in Use at Balance Date | <u>287,163</u> | <u>403,123</u> |

FOR THE YEAR ENDED 30TH JUNE 2015

15 CONTINGENT LIABILITIES

The Shire of Kulin is unaware of any contingent liabilities as at 30 June 2015.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the 30 June 2015.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the 30 June 2015.

17. JOINT VENTURE ARRANGEMENTS

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 included in Property, Plant & Equipment is as follows:

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| | \$ | \$ |
| Non-Current Assets | | |
| Plant & Equipment | 7,737 | 7,737 |
| Less: Accumulated Depreciation | | |
| | <u>7,737</u> | <u>7,737</u> |

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2015 | 2014 |
|-----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Governance | 1,074,131 | 1,072,430 |
| General Purpose Funding | 0 | 0 |
| Law, Order, Public Safety | 739,332 | 795,324 |
| Health | 0 | 0 |
| Education and Welfare | 932 | 4,119 |
| Housing | 2,135,000 | 2,178,200 |
| Community Amenities | 775,627 | 775,288 |
| Recreation and Culture | 13,112,160 | 12,156,661 |
| Transport | 45,832,192 | 28,752,331 |
| Economic Services | 5,728,894 | 5,768,492 |
| Other Property and Services | 3,419,446 | 3,425,534 |
| Unallocated | 1,547,000 | 1,547,000 |
| | <u>74,364,713</u> | <u>56,475,380</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

| | 2015 | 2014 | 2013 |
|-----------------------------------|-------|--------|--------|
| 19. FINANCIAL RATIOS | | | |
| Current Ratio | 6.14 | 4.86 | 7.17 |
| Asset Sustainability Ratio | 1.66 | 2.85 | 1.72 |
| Debt Service Cover Ratio | 16.25 | 1.16 | (5.75) |
| Operating Surplus Ratio | 0.05 | (0.34) | (0.97) |
| Own Source Revenue Coverage Ratio | 0.50 | 0.48 | 0.34 |

The above ratios are calculated as follows:

| | |
|-----------------------------------|--|
| Current Ratio | $\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$ |
| Asset Sustainability Ratio | $\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$ |
| Debt Service Cover Ratio | $\frac{\text{annual operating surplus before interest and deprec'n}}{\text{principal and interest}}$ |
| Operating Surplus Ratio | $\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$ |
| Own Source Revenue Coverage Ratio | $\frac{\text{own source operating revenue}}{\text{operating expenses}}$ |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

20. TRUST FUNDS

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

| | Balance 1 July 2014 \$ | Amounts Received \$ | Amounts Paid (\$) | Balance 30 June 2015 \$ |
|-----------------------------|------------------------------|---------------------------|-------------------------|-------------------------------|
| Housing Bonds | 10,850 | 6,105 | (2,490) | 14,465 |
| Rates Paid in Advance | 14,007 | 22,720 | (18,916) | 17,810 |
| Kulin Pistol Club | 0 | 0 | 0 | 0 |
| Tidy Towns | 0 | 0 | 0 | 0 |
| Health Centre | 2,342 | 0 | 0 | 2,342 |
| Landcare Group | 1,573 | 0 | 0 | 1,573 |
| Trip Fund | 11,110 | 16,865 | (16,475) | 11,500 |
| Bush Fire | 81 | 0 | 0 | 81 |
| Kulin Softball Club | 684 | 0 | 0 | 684 |
| Camp Kulin | 803 | 0 | 0 | 803 |
| Headworks Western Power KRH | 5,630 | 0 | 0 | 5,630 |
| Camp Hart | 38 | 720 | 0 | 758 |
| FRC Court Resurfacing | 1,500 | 0 | 0 | 1,500 |
| Kulin Cricket Club | 0 | 0 | 0 | 0 |
| Key Bonds | 80 | 0 | 0 | 80 |
| | <u>48,698</u> | | | <u>57,226</u> |

21. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

The following assets were disposed of during the year.

| | Net Book Value | | Sale Price | | Profit (Loss) | |
|--|----------------|----------------|----------------|----------------|------------------|-----------------|
| | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Plant and Equipment | | | | | | |
| Governance | | | | | | |
| MV145 - 2014 Toyota Kluger | 31,628 | 37,379 | 30,909 | 30,000 | (719) | (7,379) |
| MV146 - 2014 Holden Caprice | 30,919 | 37,545 | 42,247 | 45,000 | 11,327 | 7,455 |
| Economic Services | | | | | | |
| Proudview Estate Lot | 0 | 80,000 | 0 | 55,000 | 0 | (25,000) |
| Economic Services | | | | | | |
| MV131 - Holden Sedan SV6 | 17,490 | | 16,579 | | (911) | 0 |
| IF05 - Streetscape Johnstone Street | 19,141 | | 0 | | (19,141) | 0 |
| IF06 - Resource Centre Carpark | 49,541 | | 0 | | (49,541) | 0 |
| IF07 - Sunshade - Johnstone Street | 0 | | 0 | | 0 | 0 |
| IF08 - Johnstone Street Upgrade | 84,322 | | 0 | | (84,322) | 0 |
| IO02 - Caravan Park Roadways (old CP) | 2,069 | | 0 | | (2,069) | 0 |
| IO01 - Caravan Park power outlets (old CP) | 0 | | 0 | | 0 | 0 |
| IO07 - Kulin Townsite Streetscape | 97,689 | | 0 | | (97,689) | 0 |
| IO09 - Dudinin Streetscape | 1,460 | | 0 | | (1,460) | 0 |
| IS18 - Slatted Bins | 3,291 | | 0 | | (3,291) | 0 |
| Other Property and Services | | | | | | |
| MV100 - Holden Utility | 4,400 | 5,600 | 5,498 | 10,000 | 1,098 | 4,400 |
| MV109 - Isuzu Giga Primemover | 27,500 | | 45,455 | | 17,955 | 0 |
| MV142 - 2013 Toyota Prado | 37,390 | 45,402 | 44,091 | 45,000 | 6,701 | (402) |
| PE112 - Multi Tyred Roller | 0 | 34,000 | 0 | 30,000 | 0 | (4,000) |
| PE115 - Volvo L90E Loader | 56,000 | | 83,000 | | 27,000 | 0 |
| PE139 - Cat 928HZ Loader | 0 | 85,000 | 0 | 100,000 | 0 | 15,000 |
| PE144 - 2009 Isuzu Prime Mover | 0 | 85,000 | 0 | 60,000 | 0 | (25,000) |
| PE84 - Multipac VP2400 | 21,000 | | 28,000 | | 7,000 | 0 |
| | <u>483,840</u> | <u>409,926</u> | <u>295,778</u> | <u>375,000</u> | <u>(188,062)</u> | <u>(34,926)</u> |

| | | |
|--------|------------------|-----------------|
| Profit | 71,080 | 26,855 |
| Loss | <u>(259,143)</u> | <u>(61,781)</u> |
| | <u>(188,063)</u> | <u>(34,926)</u> |

SHIRE OF KULIN
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22. INFORMATION ON BORROWINGS

Repayments - Debentures

| Particulars | Principal 1 July 2014 \$ | New Loans \$ | Principal Repayments | | Principal 30 June 2015 | | Interest Repayments | |
|----------------|-----------------------------------|--------------------|-------------------------|--------------|---------------------------|--------------|------------------------|--------------|
| | | | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Housing | | | | | | | | |
| Housing - GEHA | 402,990 | 0 | 115,960 | 115,654 | 287,030 | 287,337 | 25,052 | 26,850 |
| | 402,990 | 0 | 115,960 | 115,654 | 287,030 | 287,337 | 25,052 | 26,850 |

All loan repayments were financed by general purpose revenue.

The Shire did not take up any new debentures during the year ended 30 June 2015.

The Shire did not have any unspent debentures as at 30 June 2015.

The Shire does not have an overdraft facility in place as at 30 June 2015.

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23. RATING INFORMATION - 2014/15 FINANCIAL YEAR

| Rates | 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 \$ |
|---|-------------------|----------------------------|-------------------------|-----------------------|------------------------|---------------------|------------------------|---------------------------------|---------------------------------|------------------------------|----------------------------------|
| RATE TYPE | | | | | | | | | | | |
| Differential General Rate / General Rate | | | | | | | | | | | |
| GRV - Residential | 12.9300 | 145 | 913,744 | 118,147 | | | 118,147 | 118,147 | | | 118,147 |
| GRV - Industrial | 12.9300 | 20 | 47,476 | 6,139 | | | 6,139 | 6,139 | | | 6,139 |
| GRV - Commercial | 12.9300 | 32 | 278,564 | 36,018 | | | 36,018 | 36,018 | | | 36,018 |
| Unimproved Value Valuations | | | | | | | | | | | |
| UV - Rural | 1.0400 | 363 | 153,636,423 | 1,597,819 | | | 1,597,819 | 1,602,219 | | | 1,602,219 |
| UV - Mining | 1.0400 | 17 | 103,886 | 1,080 | | | 1,080 | 1,080 | | | 1,080 |
| GRV - Rural | 12.9300 | 17 | 55,553 | 7,183 | | | 7,183 | 8,673 | | | 8,673 |
| | | | | | | | 0 | | | | 0 |
| Sub-Totals | | 594 | 155,035,645 | 1,766,386 | 0 | 0 | 1,766,386 | 1,772,276 | 0 | 0 | 1,772,276 |
| Minimum Payment | Minimum \$ | | | | | | | | | | |
| GRV - Residential | 395 | 10 | 3,905 | 3,954 | | | 3,954 | 3,954 | | | 3,954 |
| GRV - Industrial | 395 | 12 | 20,648 | 4,745 | | | 4,745 | 4,745 | | | 4,745 |
| GRV - Commercial | 395 | 6 | 10,040 | 2,372 | | | 2,372 | 2,372 | | | 2,372 |
| UV - Rural | 395 | 10 | 250,300 | 3,954 | | | 3,954 | 3,954 | | | 3,954 |
| UV - Mining | 395 | 15 | 158,313 | 5,931 | | | 5,931 | 5,931 | | | 5,931 |
| GRV - Rural | 395 | 6 | 9,950 | 2,372 | | | 2,372 | 2,372 | | | 2,372 |
| Sub-Totals | | 59 | 453,157 | 23,327 | 0 | 0 | 23,327 | 23,327 | 0 | 0 | 23,327 |
| Ex-Gratia Rates | | | | | | | 1,789,714 | | | | 1,795,604 |
| Discounts (refer note 26.) | | | | | | | 19,769 | | | | 19,769 |
| | | | | | | | (114,765) | | | | (120,000) |
| Total Amount Raised From General Rate | | | | | | | 1,694,718 | | | | 1,695,373 |
| Specified Area Rate (refer note 24.) | | | | | | | 0 | | | | 0 |
| Totals | | | | | | | 1,694,718 | | | | 1,695,373 |

SHIRE OF KULIN
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23. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

| | 2015 (30 June 2015 Carried Forward) \$ | 2015 (1 July 2014 Brought Forward) \$ | 2014 (30 June 2014 Carried Forward) \$ |
|---|---|--|---|
| Surplus/(Deficit) 1 July Brought Forward | <u>1,435,862</u> | <u>763,124</u> | <u>763,124</u> |
| <u>Comprises:</u> | | | |
| Cash and Cash Equivalents | | | |
| Unrestricted | 1,793,266 | 1,113,824 | 1,113,824 |
| Restricted | 1,197,699 | 1,417,763 | 1,417,763 |
| Receivables | | | |
| Rates Outstanding | 118,022 | 93,273 | 93,273 |
| Sundry Debtors | 29,034 | 50,981 | 50,981 |
| GST Receivable | 40,664 | 52,289 | 52,289 |
| Fuel Tax Credit | 3,244 | 3,296 | 3,296 |
| Inventories | | | |
| Fuel and Materials | 32,062 | 47,303 | 47,303 |
| Freebairn Recreation Centre Stock | 14,225 | 19,303 | 19,303 |
| <u>Less:</u> | | | |
| Trade and other Payables | | | |
| Sundry Creditors | (147,629) | (180,117) | (180,117) |
| Accrued Interest on Debentures | 0 | 0 | 0 |
| Accrued Salaries and Wages | (66,008) | (21,267) | (21,267) |
| ATO Liabilities | (80,918) | (61,940) | (61,940) |
| General Clearing Account | (9,547) | 0 | 0 |
| Current Portion of Long Term Borrowings | | | |
| Secured by Floating Charge Debentures | (124,645) | (115,654) | (115,654) |
| Provisions | | | |
| Provision for Annual Leave | (226,639) | (199,783) | (199,783) |
| Provision for Long Service Leave | (63,914) | (154,038) | (154,038) |
| <u>Net Current Assets</u> | <u>2,508,916</u> | <u>2,065,233</u> | <u>2,065,233</u> |
| Less: | | | |
| Reserves - Restricted Cash | (1,035,411) | (1,322,281) | (1,322,281) |
| KBR | (162,288) | (95,482) | (95,482) |
| Add: | | | |
| Secured by Floating Charge Debentures | 124,645 | 115,654 | 115,654 |
| Surplus/(Deficit) | <u>1,435,862</u> | <u>763,124</u> | <u>763,124</u> |

Difference

There was no difference between the Surplus/(Deficit) 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2014 audited financial report.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

25. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

The Shire did not impose any service charges.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR**

| Type | Disc % | Total Cost/ Value | Budget Cost/ Value |
|------|--------|----------------------|-----------------------|
|------|--------|----------------------|-----------------------|

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.

27. INTEREST CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

| | Interest Rate % | Admin. Charge \$ | Revenue \$ | Budgeted Revenue \$ |
|------------------------------|--------------------|---------------------|---------------|------------------------|
| Interest on Unpaid Rates | 11.00% | | 11,459 | 8,000 |
| Interest on Instalments Plan | 5.50% | | 1,391 | 2,000 |
| Charges on Instalment Plan | | 10 | 1,170 | 1,200 |
| | 0 | | 0 | 0 |
| | | | 14,021 | 11,200 |

Rate payers have the option of paying rates in four equal instalments, due on 30th September 2014, 01st December 2014, 2nd February 2015 and 2nd April 2015. Administration charges and interest apply for the final three instalments.

| 28. FEES & CHARGES | 2015 \$ | 2014 \$ |
|-------------------------------|-------------------|-------------------|
| Governance | 1,085 | 5,462 |
| General Purpose Funding | 3,500 | 4,383 |
| Law, Order, Public Safety | 1,228 | 1,491 |
| Health | 0 | 452 |
| Education and Welfare | 121,884 | 93,658 |
| Housing | 198,592 | 153,710 |
| Community Amenities | 78,582 | 79,683 |
| Recreation and Culture | 187,074 | 189,631 |
| Transport | 0 | |
| Economic Services | 714,467 | 644,219 |
| Other Property and Services | 281,467 | 651,785 |
| | <u>1,587,878</u> | <u>1,824,474</u> |

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

29. GRANT REVENUE

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

| | 2015 | 2014 |
|---|------------------|------------------|
| By Nature or Type: | \$ | \$ |
| Operating Grants, Subsidies and Contributions | 3,052,440 | 2,252,287 |
| Non-Operating Grants, Subsidies and Contributions | 1,122,933 | 2,073,114 |
| | <u>4,175,373</u> | <u>4,325,401</u> |
| By Program: | | |
| Governance | 0 | 15,555 |
| General Purpose Funding | 2,496,587 | 733,351 |
| Law, Order, Public Safety | 43,625 | 56,583 |
| Health | 0 | 5,980 |
| Education and Welfare | 65,809 | 88,072 |
| Housing | 0 | 9,506 |
| Community Amenities | 82,239 | 17,640 |
| Recreation and Culture | 274,411 | 351,699 |
| Transport | 957,783 | 2,123,442 |
| Economic Services | 254,918 | 800,158 |
| Other Property and Services | 0 | 123,415 |
| | <u>4,175,373</u> | <u>4,325,401</u> |

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

| | |
|-----------|-----------|
| <u>39</u> | <u>39</u> |
|-----------|-----------|

31. ELECTED MEMBERS REMUNERATION

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

| | 2015 | 2015 | 2014 |
|------------------------------|---------------|---------------|---------------|
| | \$ | Budget | \$ |
| | | \$ | |
| Meeting Fees | 14,250 | 24,000 | 23,550 |
| President's Allowance | 5,000 | 5,000 | 5,237 |
| Travelling Expenses | 9,557 | 14,666 | 13,171 |
| Telecommunications Allowance | 6,929 | 9,600 | 6,267 |
| | <u>35,736</u> | <u>53,266</u> | <u>48,225</u> |

32. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2014/15.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. 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 | |
|------------------------------|-----------------------|------------------|-------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 2,990,965 | 2,531,587 | 2,990,965 | 2,531,587 |
| Receivables | 195,965 | 205,459 | 195,965 | 205,459 |
| | <u>3,186,930</u> | <u>2,737,046</u> | <u>3,186,930</u> | <u>2,737,046</u> |
| Financial Liabilities | | | | |
| Payables | 304,102 | 263,695 | 304,102 | 263,695 |
| Borrowings | 287,163 | 403,123 | 287,163 | 403,123 |
| | <u>591,264</u> | <u>666,818</u> | <u>591,264</u> | <u>666,818</u> |

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, Held to Maturity Investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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 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 investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash | | |
| - Equity | 29,910 | 25,316 |
| - Statement of Comprehensive Income | 29,910 ⁽²⁾ | 25,316 ^(*) |

Notes:

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

⁽²⁾ Maximum impact.

**SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. 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:

| | 2015 | 2014 |
|--|-------------|-------------|
| Percentage of Rates and Annual Charges | | |
| - Current | 34% | 0% |
| - Overdue | 66% | 100% |
| Percentage of Other Receivables | | |
| - Current | 76% | 43% |
| - Overdue | 24% | 57% |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

34. 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>2015</u> | | | | | |
| Payables | 304,102 | 0 | 0 | 304,102 | 304,102 |
| Borrowings | 124,645 | 162,518 | | 287,163 | 287,163 |
| | <u>428,747</u> | <u>162,518</u> | <u>0</u> | <u>591,265</u> | <u>591,265</u> |
| <u>2014</u> | | | | | |
| Payables | 263,324 | 0 | | 263,324 | 263,695 |
| Borrowings | 115,654 | 287,469 | | 403,123 | 403,123 |
| | <u>378,978</u> | <u>287,469</u> | <u>0</u> | <u>666,447</u> | <u>666,818</u> |

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

34. 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:

| | <1 year | >1<2 years | >2<3 years | >3<4 years | >4<5 years | >5 years | Total | Weighted Average Effective Interest Rate |
|---|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| <u>Year Ended 30 June 2015</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | | 287,163 | | | | | 287,163 | 7.51% |
| Weighted Average Effective Interest Rate | | 7.51% | | | | | | |
| <u>Year Ended 30 June 2014</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | | | 403,123 | | | | 403,123 | 7.51% |
| Weighted Average Effective Interest Rate | | | 7.51% | | | | | |

INDEPENDENT AUDIT REPORT TO THE SHIRE OF KULIN

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Kulin which comprises the statement of financial position as at 30 June 2015 and the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Statutory Compliance

During the course of our audit we become aware of the following matter which did not comply with the Local Government (Financial Management) Regulations 1996 (as amended) or the Local Government Act 1995.

Primary and Annual Returns

Primary and Annual Returns for the financial year ended 30 June 2015 were not completed and lodged within the specified timeframes as required under Part 5, Division 6, Section 5.75 and 5.76 of the Local Government Act 1995.

2015 Financial Report not presented in a timely manner

We note that the annual financial report for the 2015 financial year was not submitted for audit by 30 September as required under Part 6; Division 3; Section 6.4, subsection (3) of the Local Government Act 1995.

Submission of the 2014-15 Annual Budget

A copy of the annual budget for the 2014-15 financial year was not submitted the department within 30 days after the adoption by the council on 20 August 2014 as required by Part 3; Section 6.2; Regulation 33 of the Local Government (Financial Management) Regulations 1996.

Auditor's Opinion

In our opinion, other than the issues matters noted above;

The financial report of Shire of Kulin is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) including:

- i) giving a true and fair view of the Shire's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).



LEANNE K OLIVER RCA
Director

BYFIELDS BUSINESS ADVISORS
BELMONT WA

Date: 11 April 2016