

Shire of Kulin

2015/2016 Annual Report



Shire of Kulin

Contact Information



Shire of Kulin Administration Offices and Community Resource Centre

38 Johnston Street, Kulin WA 6365

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Kulin Childcare Centre

5 Gordon Street, Kulin WA 6365

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Kulin Recreation & Aquatic Centre

Kulin-Lake Grace Road, Kulin WA 6365

(P) 08 9880 1000 (Rec)

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(E) reccentre@kulin.wa.gov.au

Camp Kulin

Johnston Street, Kulin WA 6365

(P) 08 9880 2000

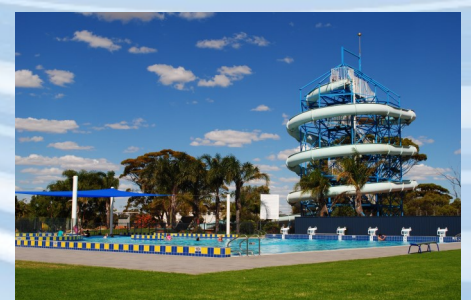
(E) ckoffice@kulin.wa.gov.au

Works & Services Depot

Beard Street, Kulin WA 6365

(P) 08 9880 1218

(E) works@kulin.wa.gov.au



Shire of Kulin

Councillor & Staff Information



Councillors

Cr Barry West (President)	Term Expires 2019	(P) 08 9880 9021
Cr Rodney Duckworth (D. President)	Term Expires 2017	(P) 08 9880 0076
Cr Robbie Bowey	Term Expires 2019	(P) 08 9880 1236
Cr Grant Robins	Term Expires 2017	(P) 08 9880 1329
Cr Rob O'Brien	Term Expires 2017	(P) 08 9889 8007
Cr Haydn McInnes	Term Expires 2019	(P) 08 9880 1215
Cr Matthew Ledwith	Term Expires 2017	(P) 08 9880 0046
Cr Lucia Varone	Term Expires 2019	(P) 08 9880 0013
Cr Brad Taylor	Term Expires 2019	(P) 08 9880 4074
Cr Jim Sullivan	Retired December 2015	

Staff

Noel Mason	Chief Executive Officer	(E) ceo@kulin.wa.gov.au
Cassi-Dee Vandenberg	Deputy Chief Executive Officer	(E) dceo@kulin.wa.gov.au
Len Hobson	Manager Works & Services	(E) works@kulin.wa.gov.au
Nicole Thompson	Senior Administration Officer	(E) ea@kulin.wa.gov.au
Michael Robins	Technical Officer	(E) to@kulin.wa.gov.au
Taryn Scadding	Community Development	(E) cdo@kulin.wa.gov.au
Kate Bishop	Community Resource Manager	(E) rcmgr@kulin.wa.gov.au
Nick Grant	Senior Finance Officer	(E) rates@kulin.wa.gov.au
Annette Lewis	Finance Officer	(E) finance@kulin.wa.gov.au
Tanya Dupagne	Camp Kulin Manager	(E) campkulin@kulin.wa.gov.au
Simone Lockyer	Manager Leisure Services	(E) reccentre@kulin.wa.gov.au

Shire of Kulin

Shire Presidents Report



Full of change and challenges, what a year we have had at the Kulin Shire. With those changes, many things have been achieved and the result has been a satisfying and solid twelve months, something staff and councillors have all contributed to.

Councillor Jim Sullivan resigned in December 2015 and as a result an extraordinary election was called in April and Lucia Varone, of the East Ward, was elected unopposed. Lucia threw herself straight into the role, representing the Shire and laying the wreath at the Anzac service held in Varley. Our former CEO Greg Hadlow resigned at the beginning of 2016 and finished his time at the Shire in April. Noel Mason was appointed as the new CEO and began in the office at the end of May 2016. Welcome to Noel and Lucia.

In addition to Noel, new admin staff appointed were Nick, Kate, Nikayla & Gemma - Welcome. Thank you to all administration staff for their efforts and support, and thankyou also to Len and the Works team who do a fantastic job – our roads, parks and gardens are second to none. Thank you to Councillors for their valued input and commitment, not only to Council but to all other ancillary meetings and events they attend.

After 12 months of construction the refurbishment of the administration offices and resource centre was completed in December 2015 and our first council meeting in the new Council Chambers was held in February 2016. Thanks to all those who had input, particularly Ryan and Mikey who dedicated most of their time to the project throughout the year. The project has cost around \$1.6 million which is significantly less than the estimated price had we not managed the project 'in-house'.

Our plant replacement program remains a priority for Council and this year we funded the purchase of a new grader and truck. Part of our fleet of small vehicles were replaced including three utilities, the CEO's vehicle and the Manager of Works vehicle. We put off the purchase of the skid steer loader and roller for another year as these still had some life left in them. This postponement to purchase these assets was offset with a transfer to our plant reserve of \$340,000 to ensure these savings would be utilised to replace plant in the future.

We were lucky enough to have the opportunity to host a WAFL fixture between West Perth and Claremont. Greg Hadlow had been pushing for Kulin to host a WAFL fixture for many years and as this was Greg's last week in his role at the Shire of Kulin it was a fitting end to his successful tenure. We had around 600 people come through the gate, and with such little notice to organise the facilities a big thank you needs to go to Nicole and Simone for coordinating the day.

Early in the year the Federal Government announced it was committing \$100 million dollars towards improving mobile phone coverage and competition by delivering new mobile phone base stations across the country. Due to our location and the work done by local lobbyists Kulin is set to benefit from this commitment in the first round of funding with 3 new base stations going in at West Kulin, Holt Rock and Tarin Rock. Work on the base stations is scheduled to begin in early 2017.



Shire of Kulin

Shire Presidents Report



The Budget was one of consolidation for 2016-17 and a balanced budget was presented. Well done to Cassi, Noel, Greg and Len. It's not easy when the State Government continues to shift provision of services to Local Government but we don't receive any additional funding. The reasons include Federal Financial Assistance Grants have been frozen, plus phasing out of the country Local Government Fund, and also a reduction of State Government support for local roads. All of which makes it financially harder to provide services to our communities.

Despite these limitations a number of milestones were achieved by our RoeRoc Group (Roe Region of Councils) using the funding provided by Royalties for Regions (R4R). Locally, we used this funding to reinstate our bowling greens. Throughout the region Corrigin built their Recreation Centre, Kondinin built their Aquatic Centre and Narembeen built their Recreation Centre all with the assistance of R4R funding. For the Shire of Kulin our roadworks continue to be Number 1 priority. We have a great reputation for providing high quality road and are committed to keeping the quality of our roads at a high level. On road maintenance alone we spent in the vicinity of \$900,000. Our construction program this year involved laying bitumen on the Yealering Road, Tarin Rock road, Varley North Road and throughout the town of Kulin.

We officially opened the New Administration & Resource Building in June. Jim and Greg attended, and Terry Waldron MLA. A send-off function was also held for Greg and Jim – Congratulations to both of these gentlemen whose work for the Shire earned them Freeman of the Shire award.

Another successful weekend was held at the Kulin Bush Races. A lot of effort is put in by the bush races committee, and despite having to compete with the AFL Grand Final, still managed to put on a terrific weekend. The Bush Races brings with it an influx of tourists which in turn means a lot of patronage to Caravan Park, RV friendly area and our local businesses. A very big thank you goes out to our volunteers, the Kulin Bush Races is an event that sets our community apart from others and without the help of volunteers it would not be possible.

Congratulations to Tanya (Camp Kulin) who was a keynote speaker at Local Government. Week 2016. She received a standing ovation from the 600 plus delegates. Camp Kulin continues to thrive, with camps booked well in advance. Programs are also held for local children of Kulin and Corrigin schools, with other communities keen to get on board. Government departments are beginning to value this concept, so I'm sure our commitment to Camp Kulin will continue to expand.

It gives me and our whole Shire a sense of great pride to see our town grow and flourish.

Here's to another strong and productive year for the Shire of Kulin.

Shire of Kulin

Chief Executive Officer Report



My report covering the activities of the Kulin Shire Council during the 2015/16 Financial Year, acknowledging that my appointment commencing 30th May 2016 has been more involved in the wrap-up of the 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 2016, 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. Accordingly Council continues to maintain a record keeping system to be fully compliant with the relevant legislation.

Noel Mason

Chief Executive Officer

Shire of Kulin

Strategic Community Plan



Social Goals

1.1 A Brand Kulin identity;

- A recognisable 'Brand Kulin' identity
- An inclusive, resilient and welcoming Shire

1.2 Connected communities through a safe and efficient transport network throughout the Shire

- All residents are able to move around the Shire in safety and with ease

1.3 Accessible infrastructure and services meeting changing community needs

- The current and future community retains a sense of place and pride whilst welcoming diversity and change
- The community and recreation services and facilities meet the needs of the growing and active communities throughout the Shire
- The community embraces and provides for older residents

1.4 A liveable and safe community

- Facilitate diverse, inclusive housing options
- A high standard of health services to address the needs of all sectors of the community
- Provide a variety of sport, recreation and leisure services and facilities for all life stages
- People are safe in their homes and in public

Status

- Roads continue to be the number one priority for the Shire of Kulin. Providing well maintained and constantly renewed road infrastructure is a necessity to ensure that people of the Kulin community can travel safely around the area.
- Council continue to provide for the maintenance and replacement of our sporting facilities. This included our Recreation Centre, Bowling Greens, Tennis and Golf Club and our Aquatic Centre. In the 2015/16 financial year, and in conjunction with Royalties for Regions funding, we replaced our bowling greens.
- The Shire of Kulin provides housing for staff, residents and in joint venture with the Department of Housing. We currently provide 10 houses to residents who do not work for the Shire of Kulin.
- The Shire of Kulin are committed to communicating Council activities to the community. We have a public email service which is used to communicate urgent messages to the community, we produce a fortnightly news publication which is provided to the community at no charge and we maintain a website which is updated daily. Branding work has also been completed to ensure all Shire communications are produced in a consistent manner.
- We continue to apply for, and have been successful with, applications for grant funding to support community infrastructure projects. Notably, in the past financial year we have secured funding to create an 'Age Friendly' community project.
- In order to recognise our volunteers and those who have contributed greatly to our community the Shire of Kulin have organised new events throughout the year. We held a Thank a Volunteer Day and also organised Australia Day Awards during the Australia Day weekend.
- We continue to provide ongoing support to local community events, in particular our two iconic events the Kulin Bush Races (September/October) and Blazing Swan (March).

Shire of Kulin

Strategic Community Plan



Economic Goals

2.1 A thriving, diverse and growing economy

- Actively support and develop local and new business
- Provide commercial and industrial land aligned to economic need and growth
- Advocate for telecommunications infrastructure that is progressive and meets the needs of contemporary businesses and our community
- Promote the Shire of Kulin within the Wheatbelt and on the state and national stage as a desirable place to live, work and invest

2.2 A positive visitor experience

- The Shire's capacity for tourism is grown, founded on iconic major events and distinct local attractions
- Support and promote a collaborative Shire wide approach to heritage, our stories and tourism

2.3 Improved access to education, training and leadership development

- The Shire is focused on lifelong learning
- The Shire economy is growing and prosperous, offering a diverse range of job opportunities
- A place of diverse opportunities and resources for young people

Status

- Support, both financial and in kind, given to the Wheatbelt Business Network. WBN provide support for businesses and facilitate functions and workshops for local business people.
- On going membership on the ROE tourism board; ROE tourism are a group of local Councils who work to increase tourism and patronage from tourists throughout the region.
- New mobile phone towers to be installed at two sites in the Shire of Kulin. These towers will increase coverage and competition across the shire. Construction is scheduled to begin early 2017.
- A new initiative for the caravan park where users 'set the price' for a stay at the caravan park. The promotion of this initiative has increased the number of tourists visiting our town and, in turn, has increased patronage to our local businesses.
- Work has continued on our RV parking area to make it a pleasant and inviting area for tourists to park, free of charge, for up to 72 hours. Hot showers and a dump point are also provided in the area.
- The Council continue to provide fuel at a low price. When pricing our fuel Council's policy is to cover the cost of the fuel and to provide for maintenance of the facility. The fuel facility has provided the Shire with their fuel requirements as well as providing competition within the town to keep fuel at a low rate across all outlets.
- Training courses and information days are held by our Community Resource Centre to ensure relevant education, across a broad range of learning areas, will be delivered to our region.
- Council continue to provide a traineeship at the Shire, through the Community Resource Centre, to ensure there is an opportunity to a local person to gain employment and education locally.
- Ongoing financial support is given to the child care centre to ensure a service is provided for those who wish to be a part of the workforce and provide a source of local part-time employment for many residents of Kulin.

Shire of Kulin

Strategic Community Plan



Environmental Goals

3.1 An environmentally aware Shire

- A functional mix of open space
- Preserve and protect local ecology and biodiversity

3.2 A protected and valued natural environment

- Ensure quality, long term water supply to meet the demands of future growth
- Sustainable waste management focusing on waste minimisation and resource recovery

Status

- Public open space provided across many areas within the townsite of Kulin. These areas are maintained diligently by Council staff to ensure their useability and aesthetic appeal are held at a very high level.
- During the year Council acquired the Macrocarpa Trail from long term resident Harold Proud. The trail showcases many species native to the Kulin region; perhaps the most spectacular being the large Macrocarpa Trees.
- Council continue their work to drought proof the entire Shire. Government grants have been sought from the Department of Water to build dams in each of the localities of the Kulin shire. Most recently a dam was built in Dudinin and in the future we hope to secure land in the Pingaring area for the purposes of building another catchment dam.
- Our Stormwater Reuse project has improved surface water capture and storage within the Kulin townsite. After many years of drought in the Kulin region the scheme has helped to make us less reliant on the expensive public water supply and also enabled us to secure this precious resource.
- In partnership with the ROE ROC group the Council have been able to provide many waste and recycling initiatives throughout the Shire. Most recently the group have provided for the construction of a glass crushing bunker and public recycling disposal bins.
- Chemical container recycling service, Drummuster, is provided at the local transfer station in the Kulin townsite. Farmers and general public are able to drop off their eligible chemical containers and they will be collected and recycled in to useable products such as wheelie bins, road signs and fence posts.



Council owned wildflower reserve, Macrocarpa Trail



Stormwater Reuse drainage through the CBD

Shire of Kulin

Strategic Community Plan



Civic Leadership Goals

4.1 Provide good strategic decision making, governance, leadership and professional management

- Continue to participate in sub regional and regional groups to gain efficiencies and productivity e.g. ROE ROC
- Provide development opportunities, and a secure Council environment that encourages visionary leadership and ideas to complement existing strategies in providing solutions to the long term challenges facing the Shire
- Provide excellent customer service functions to all community members and rate payers
- Develop excellent communication tools, in a range of suitable formats, to ensure a well-informed community
- Commit to the provision of essential and non-essential services in the community
- Implement a range of collaborative partnerships with businesses and community groups to ensure their sustainability into the future
- Annually review compliance methods
- Human resource excellence
- Provision of a safe, secure and encouraging working environment for all staff and elected members

Status

- Customer service remains a focus of the staff across all areas of service at the Shire of Kulin.
- Council continue to provide services, both essential and non-essential, to ensure all ratepayers are being catered for in some way. The scope of non-essential services provided by the Shire of Kulin is large; examples of these services are the provision of fuel, child care, Camp Kulin programs and unconventional recreation facilities such as our pool slide.
- Compliance has been a high priority matter within the Shire of Kulin. New measures have been implemented to ensure all compliance areas are met and reported on to Council.
- Council collaborate with businesses through various groups such as the Wheatbelt Business Network to ensure that their enterprises prosper well in to the future.
- The turnover of staff at the Shire of Kulin remains at a very low level. It is a priority of senior management that our workplace provides an encouraging and collaborative environment.



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

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Principal place of business:
Address
38 Johnston Street

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 17th day of November 2016

Noel Mason

Noel Mason
Chief Executive Officer

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

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	1,768,967	1,777,749	1,694,718
Operating grants, subsidies and contributions	30	1,713,753	1,393,012	3,052,440
Fees and charges	29	1,653,400	1,720,714	1,587,879
Service charges	26	0	0	0
Interest earnings	2(a)	71,208	55,715	81,949
Other revenue	2(a)	321,663	250,002	590,680
		<u>5,528,993</u>	<u>5,197,192</u>	<u>7,007,666</u>
Expenses				
Employee costs		(1,874,121)	(2,378,900)	(1,960,551)
Materials and contracts		(1,985,846)	(2,502,057)	(2,050,818)
Utility charges		(286,589)	(276,830)	(269,638)
Depreciation on non-current assets	2(a)	(2,766,130)	(2,159,820)	(2,090,512)
Interest expenses	2(a)	(17,860)	(17,860)	(25,591)
Insurance expenses		(233,256)	(164,559)	(186,058)
Other expenditure		0	(250,000)	(60,645)
		<u>(7,163,802)</u>	<u>(7,750,026)</u>	<u>(6,643,812)</u>
		(1,634,810)	(2,552,834)	363,853
Non-operating grants, subsidies and contributions	30	1,504,999	2,277,142	1,122,933
Profit on asset disposals	21	10,562	24,000	71,080
(Loss) on asset disposals	21	(56,841)	(36,500)	(259,143)
Fair value adjustments to financial assets at fair value through profit or loss	3	324,531	0	0
Net result		148,441	(288,192)	1,298,724
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	501,750	0	16,190,558
Total other comprehensive income		501,750	0	16,190,558
Total comprehensive income		650,192	(288,192)	17,489,282

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 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		381,825	23,700	68,360
General purpose funding		2,775,006	2,686,911	4,277,288
Law, order, public safety		51,246	41,663	44,884
Health		55	0	0
Education and welfare		232,882	173,960	191,832
Housing		145,965	159,031	201,687
Community amenities		80,991	102,377	81,271
Recreation and culture		275,100	259,768	232,911
Transport		489,499	175,600	161,500
Economic services		1,308,896	1,444,886	1,400,336
Other property and services		202,297	129,296	347,628
		<u>5,943,762</u>	<u>5,197,192</u>	<u>7,007,697</u>
Expenses	2(a)			
Governance		(556,690)	(251,724)	(192,275)
General purpose funding		(140,276)	(82,891)	(64,567)
Law, order, public safety		(116,504)	(154,836)	(112,977)
Health		(81,704)	(127,279)	(75,044)
Education and welfare		(251,648)	(237,461)	(223,598)
Housing		(141,640)	(174,423)	(127,237)
Community amenities		(319,110)	(376,829)	(293,654)
Recreation and culture		(1,073,217)	(1,147,824)	(1,172,025)
Transport		(2,948,879)	(2,604,755)	(2,330,005)
Economic services		(1,694,313)	(1,845,539)	(1,895,461)
Other property and services		87,802	(728,605)	(131,944)
		<u>(7,236,180)</u>	<u>(7,732,166)</u>	<u>(6,618,789)</u>
Finance costs	2(a)			
Housing		(17,860)	(17,860)	(25,052)
		<u>(17,860)</u>	<u>(17,860)</u>	<u>(25,052)</u>
		(1,310,278)	(2,552,834)	363,856
Non-operating grants, subsidies and contributions	30	1,504,999	2,277,142	1,122,933
Profit on disposal of assets	21	10,562	24,000	71,079
(Loss) on disposal of assets	21	(56,841)	(36,500)	(259,144)
		<u>0</u>	<u>0</u>	<u>0</u>
Net result		<u>148,442</u>	<u>(288,192)</u>	<u>1,298,724</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	501,750	0	16,190,558
Total other comprehensive income		<u>501,750</u>	<u>0</u>	<u>16,190,558</u>
Total comprehensive income		<u>650,192</u>	<u>(288,192)</u>	<u>17,489,282</u>

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

SHIRE OF KULIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	3,442,592	2,990,966
Investments	3	0	0
Trade and other receivables	4	143,466	190,964
Inventories	5	1,549,344	1,571,287
TOTAL CURRENT ASSETS		<u>5,135,402</u>	<u>4,753,218</u>
NON-CURRENT ASSETS			
Other receivables	4	5,000	5,000
Inventories	5	0	0
Property, plant and equipment	6	22,511,866	21,852,923
Infrastructure	7	52,120,401	51,581,711
TOTAL NON-CURRENT ASSETS		<u>74,637,268</u>	<u>73,439,635</u>
TOTAL ASSETS		<u>79,772,670</u>	<u>78,192,854</u>
CURRENT LIABILITIES			
Trade and other payables	8	256,257	304,102
Current portion of long term borrowings	9	214,552	124,645
Provisions	10	293,804	290,553
TOTAL CURRENT LIABILITIES		<u>764,613</u>	<u>719,299</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	1,447,957	162,518
Provisions	10	43,416	120,013
TOTAL NON-CURRENT LIABILITIES		<u>1,491,373</u>	<u>282,531</u>
TOTAL LIABILITIES		<u>2,255,986</u>	<u>1,001,830</u>
NET ASSETS		<u>77,516,684</u>	<u>77,191,024</u>
EQUITY			
Retained surplus		40,342,921	41,383,169
Reserves - cash backed	12	2,224,101	1,035,411
Revaluation surplus	13	34,949,662	34,772,444
TOTAL EQUITY		<u>77,516,684</u>	<u>77,191,024</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 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		39,797,574	1,322,282	18,581,886	59,701,742
Comprehensive income					
Net result		1,298,724	0	0	1,298,724
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>16,190,558</u>	<u>16,190,558</u>
Total comprehensive income		1,298,724	0	16,190,558	17,489,282
Transfers from/(to) reserves		286,871	(286,871)	0	0
		<u>286,871</u>	<u>(286,871)</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2015		41,383,169	1,035,411	34,772,444	77,191,024
Comprehensive income					
Net result		148,442	0	0	148,442
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>501,750</u>	<u>501,750</u>
Total comprehensive income		148,442	0	501,750	650,192
Transfers from/(to) reserves		(1,188,690)	1,188,690	(324,532)	(324,532)
		<u>(1,188,690)</u>	<u>1,188,690</u>	<u>(324,532)</u>	<u>(324,532)</u>
Balance as at 30 June 2016		<u>40,342,921</u>	<u>2,224,101</u>	<u>34,949,662</u>	<u>77,516,684</u>

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 2016

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,800,787	1,817,751	1,670,589
Operating grants, subsidies and contributions		1,722,852	1,353,012	3,074,439
Fees and charges		1,653,400	1,740,714	1,587,878
Service charges		0	0	0
Interest earnings		71,208	55,715	81,949
Goods and services tax		0	5,000	11,625
Other revenue		321,663	250,000	590,680
		<u>5,569,910</u>	<u>5,222,192</u>	<u>7,017,160</u>
Payments				
Employee costs		(1,949,397)	(2,383,900)	(1,884,569)
Materials and contracts		(2,009,817)	(2,522,057)	(2,021,286)
Utility charges		(286,589)	(276,830)	(269,638)
Interest expenses		(17,860)	(17,860)	(25,591)
Insurance expenses		(233,256)	(164,559)	(186,058)
Goods and services tax		6,691	0	0
Other expenditure		0	(250,000)	(60,645)
		<u>(4,490,228)</u>	<u>(5,615,206)</u>	<u>(4,447,787)</u>
Net cash provided by (used in) operating activities	14(b)	<u>1,079,682</u>	<u>(393,014)</u>	<u>2,569,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		0	0	0
Payments for purchase of property, plant & equipment		(1,415,288)	(1,563,520)	(1,813,761)
Payments for construction of infrastructure		(2,293,000)	(2,559,625)	(1,598,981)
Advances to community groups		0	0	0
Non-operating grants, subsidies and contributions		1,504,999	2,277,142	1,122,933
Proceeds from sale of fixed assets		199,992	324,000	295,778
Proceeds from disposal of investments		0	0	0
Proceeds from advances		0	0	0
Net cash provided by (used in) investment activities		<u>(2,003,297)</u>	<u>(1,522,003)</u>	<u>(1,994,031)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(124,645)	(124,645)	(115,960)
Proceeds from self supporting loans		(112)	0	0
Proceeds from new debentures		1,500,000	600,000	0
Net cash provided by (used in) financing activities		<u>1,375,243</u>	<u>475,355</u>	<u>(115,960)</u>
Net increase (decrease) in cash held		451,627	(1,439,662)	459,382
Cash at beginning of year		2,990,965	2,714,888	2,531,587
Cash and cash equivalents at the end of the year	14(a)	<u><u>3,442,592</u></u>	<u><u>1,275,226</u></u>	<u><u>2,990,969</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 2016**

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>1,435,862</u> 1,435,862	<u>1,138,190</u> 1,138,190	<u>763,124</u> 763,124
Revenue from operating activities (excluding rates)			
Governance	386,521	23,700	79,687
General purpose funding	1,026,303	929,426	2,582,570
Law, order, public safety	51,246	41,663	44,884
Health	55	0	0
Education and welfare	232,882	173,960	191,832
Housing	145,965	159,031	201,687
Community amenities	80,991	102,377	81,271
Recreation and culture	275,100	259,768	232,911
Transport	495,365	199,600	221,253
Economic services	1,308,896	1,444,886	1,400,336
Other property and services	202,297	129,296	347,628
	<u>4,205,621</u>	<u>3,463,707</u>	<u>5,384,059</u>
Expenditure from operating activities			
Governance	(590,877)	(251,724)	(193,905)
General purpose funding	(140,276)	(82,891)	(64,567)
Law, order, public safety	(116,504)	(154,836)	(112,977)
Health	(81,704)	(127,279)	(75,044)
Education and welfare	(251,648)	(237,461)	(223,598)
Housing	(159,500)	(217,283)	(152,289)
Community amenities	(319,110)	(376,829)	(293,654)
Recreation and culture	(1,073,217)	(1,147,824)	(1,175,316)
Transport	(2,971,533)	(2,616,255)	(2,584,227)
Economic services	(1,694,313)	(1,845,539)	(1,895,461)
Other property and services	87,802	(728,605)	(131,944)
	<u>(7,310,880)</u>	<u>(7,786,526)</u>	<u>(6,902,984)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	21 (10,562)	(24,000)	(71,080)
Loss on disposal of assets	21 56,841	36,500	259,143
Movement in deferred pensioner rates (non-current)	0	0	620
Movement in employee benefit provisions (non-current)	(76,597)	0	75,902
Depreciation and amortisation on assets	2(a) 2,766,130	2,159,820	2,090,512
Amount attributable to operating activities	<u>1,066,415</u>	<u>(1,012,309)</u>	<u>1,599,296</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions	1,504,999	2,277,142	1,122,933
Proceeds from disposal of assets	21 199,992	324,000	295,778
Purchase of property, plant and equipment	6(b) (1,415,288)	(1,563,520)	(1,849,425)
Purchase and construction of infrastructure	7(b) (2,293,000)	(2,559,625)	(1,598,981)
Amount attributable to investing activities	<u>(2,003,297)</u>	<u>(1,522,003)</u>	<u>(2,029,695)</u>
FINANCING ACTIVITIES			
Repayment of debentures	22(a) (124,645)	(124,645)	(115,960)
Proceeds from new debentures	22(a) 1,500,000	600,000	0
Proceeds from self supporting loans	(112)	0	0
Transfers to reserves (restricted assets)	12 (1,587,844)	(105,715)	(251,286)
Transfers from reserves (restricted assets)	12 399,154	410,163	538,157
Amount attributable to financing activities	<u>186,553</u>	<u>779,803</u>	<u>170,911</u>
Surplus(deficiency) before general rates	<u>(750,329)</u>	<u>(1,754,509)</u>	<u>(259,488)</u>
Total amount raised from general rates	23 <u>1,748,703</u>	<u>1,757,485</u>	<u>1,695,322</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24 <u><u>998,374</u></u>	<u><u>2,976</u></u>	<u><u>1,435,834</u></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 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

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

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

Land under control

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement 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.

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 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

⁽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 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

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

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.

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

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 tra

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 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 1/07/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance ⁽¹⁾ 30/06/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance 30/06/16 \$
WA Grants Commission	General Purpose	0	2,497,120	(2,497,120)	0	842,075	(842,075)	0
DFES - ESL Operating Grant	Law, Order & Public Safety	0	36,125	(36,125)	0	40,888	(40,888)	0
DFES - ESL Capital Grant (Fire Shed)	Law, Order & Public Safety	0	7,500	(7,500)	0	0		0
DSS - Sustainability Funding	Education & Welfare	0	54,566	(54,566)	0	76,645	(76,645)	0
DSS - Operating Grant	Education & Welfare	0	11,243	(11,243)	0			0
Department Veteran Affairs (War Memorial)	Community Amenities	0	17,273	(17,273)	0			0
Community Garden	Community Amenities	0	20,000	0	20,000			20,000
Transfer Station Grant	Community Amenities	0	44,966	(44,966)	0	25,594	(25,594)	0
Memorial Hall Grant	Recreation & Culture	0	13,455	0	13,455	11,317	(24,772)	0
Swimming Pool Operations Grant	Recreation & Culture	0	30,000	(30,000)	0	32,000	(32,000)	0
DSR (Naremben) - Bowling Green Grant	Recreation & Culture	0	177,272	(177,272)	0			0
Wheatbelt Natural Resource Management	Recreation & Culture	0	53,685	(53,685)	0			0
KidsSport	Recreation & Culture	0	0	0	0	10,000	(6,110)	3,890
Regional Road Group	Transport	0	340,180	(340,180)	0	420,695	(420,695)	0
Main Roads Direct Grant	Transport	0	161,500	(161,500)	0	175,600	(175,600)	0
Roads to Recovery	Transport	0	456,103	(456,103)	0	1,097,696	(1,097,696)	0
Black Spot	Transport	0	0	0	0	270,112	(270,112)	0
Camp Kulin - Various Grant Funding	Economic Services	0	117,503	(41,580)	75,923	106,442	(182,365)	0
Department of Regional Development - CRC	Economic Services	0	113,000	(113,000)	0	116,503	(116,503)	0
Department of Water (Milestone One)	Economic Services	0	0	0	0	67,245	(67,245)	0
Total		0	4,151,490	(4,042,112)	109,378	3,292,812	(3,378,299)	23,891

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 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,055,750	1,793,266
Restricted		2,386,842	1,197,699
		<u>3,442,592</u>	<u>2,990,965</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Freebairn Sportsperson Reserve	12	11,561	35,726
Freebairn Recreation Centre Reserve	12	141,476	113,706
Insurance Reserve	12	0	104,437
Plant Reserve	12	470,876	124,478
Leave Reserve	12	243,529	140,136
Building Reserve	12	1,010,293	201,289
Admin Equipment Reserve	12	70,000	60,417
Natural Disaster Reserve	12	131,558	128,489
Joint Venture Housing Reserve	12	88,503	86,430
FRC Surface Replacement Reserve	12	48,582	25,930
Town Planning Reserve	12	7,723	14,372
Kulin Bush Races	12	162,741	162,288
Unspent grants	2(c)	23,891	109,378
		<u>2,410,733</u>	<u>1,307,076</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		86,202	118,022
Sundry debtors		19,935	29,034
GST receivable		33,973	40,664
Fuel Tax Credit Receivable		3,356	3,244
		<u>143,466</u>	<u>190,964</u>
Non-current			
Bendigo Bank Shares		5,000	5,000
		<u>5,000</u>	<u>5,000</u>
5. INVENTORIES			
Current			
Fuel and materials		11,263	32,062
Freebairn Recreation Centre Stock		13,081	14,225
Land held for resale - cost			
Cost of acquisition		0	0
Development costs		1,525,000	1,525,000
		<u>1,549,344</u>	<u>1,571,287</u>
Non-current			
Land held for resale - cost			
Cost of acquisition		0	0
Development costs		0	0
User defined 1		0	0
		<u>0</u>	<u>0</u>

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

	2016 \$	2015 \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land & Buildings at:		
- Independent valuation 2014	16,928,000	16,928,000
- Additions after valuation - cost	1,316,736	1,274,903
- Accumulated Depreciation	<u>(1,048,643)</u>	<u>(692,528)</u>
	17,196,093	17,510,375
Construction Other than Buildings at:		
- Independent valuation 2014	469,928	469,928
- Additions after valuation - cost	237,256	84,738
- Accumulated Depreciation	<u>(216,795)</u>	<u>(195,860)</u>
	490,389	358,806
Plant & Equipment at:		
- Management Valuation 2013	0	2,285,769
- Management Valuation 2016	2,445,159	0
- Additions after valuation - cost	29,213	1,154,955
Less: accumulated depreciation	<u>(300,952)</u>	<u>(943,367)</u>
	2,173,420	2,497,357
Furniture & Equipment at:		
- Management Valuation 2013	0	669,458
- Management Valuation 2016	98,362	0
- Additions after valuation - cost	38,485	31,224
Less: accumulated depreciation	<u>0</u>	<u>(652,773)</u>
	136,847	47,909
Motor Vehicles at:		
- Management valuation 2013	0	582,452
- Management Valuation 2016	739,965	0
- Additions after valuation - cost	190,025	557,246
Less accumulated depreciation	<u>0</u>	<u>(323,137)</u>
	929,990	816,561
Construction in Progress at:		
- Historical Cost	621,915	13,152
- Additions after valuation - cost	963,212	608,763
Less accumulated depreciation	<u>0</u>	<u>0</u>
	1,585,127	621,915
	<u>22,511,866</u>	<u>21,852,923</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land & Buildings	17,510,375	41,833	0	0	0	0	(356,115)	0	17,196,093
Construction Other than Buildings	358,806	152,519	0	0	0	0	(20,935)	0	490,390
Total land	17,869,181	194,352	0	0	0	0	(377,050)	0	17,686,483
Plant & Equipment	2,497,357	29,213	(112,406)	179,935	0	0	(420,679)	0	2,173,420
Furniture & Equipment	47,909	38,485	(11,970)	90,445	0	0	(28,022)	0	136,847
Total buildings	2,545,266	67,698	(124,375)	270,380	0	0	(448,701)	0	2,310,267
Total land and buildings	20,414,447	262,050	(124,375)	270,380	0	0	(825,752)	0	19,996,750
Motor Vehicles	816,561	190,025	(121,896)	231,371	0	0	(186,069)	0	929,992
Construction in Progress	621,915	963,212	0	0	0	0	0	0	1,585,127
Total property, plant and equipment	21,852,923	1,415,288	(246,271)	501,750	0	0	(1,011,821)	0	22,511,869

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land & Buildings	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	January 2013	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (level 3) inputs.
Construction Other than Buildings	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	January 2013	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (level 3) inputs.
Plant & Equipment	2	Market approach is determined by comparison to actual sales data for the for the same or similar assets.	Management Valuation	June 2016	Market data, sales data and vehicle guides
Furniture & Equipment	2	Market approach is determined by comparison to actual sales data for the for the same or similar assets.	Management Valuation	June 2016	Market data, sales data and vehicle guides
Motor Vehicles	2	Market approach is determined by comparison to actual sales data for the for the same or similar assets.	Management Valuation	June 2016	Market data, sales data and vehicle guides
Construction in Progress	3	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Management Valuation	June 2016	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (level 3) inputs.

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

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

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

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - roads & drainage		
- Management valuation 2015	76,963,879	76,963,879
- Cost	2,151,172	0
Less accumulated depreciation	<u>(33,873,096)</u>	<u>(32,330,294)</u>
	45,241,955	44,633,585
Infrastructure - footpaths & kerbing		
- Management valuation 2015	1,309,740	1,309,740
- Additions after valuation - cost	0	0
- Cost	0	0
Less accumulated depreciation	<u>(695,288)</u>	<u>(654,870)</u>
	614,452	654,870
Infrastructure - Recreation		
- Management valuation 2015	5,426,550	5,426,550
- Additions after valuation - cost	13,576	0
- Cost	0	0
Less accumulated depreciation	<u>(171,355)</u>	<u>(24,942)</u>
	5,268,771	5,401,608
Infrastructure - Other		
- Management valuation 2015	1,058,393	1,058,393
- Cost	128,252	0
Less accumulated depreciation	<u>(191,422)</u>	<u>(166,745)</u>
	995,223	891,648
	<u>52,120,401</u>	<u>51,581,711</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires infrastructure to be shown at fair value.

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

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads & drainage	44,633,585	2,151,172	0	0	0	0	(1,542,801)	0	45,241,956
Infrastructure - footpaths & kerbing	654,870	0	0	0	0	0	(40,418)	0	614,452
Infrastructure - Recreation	5,401,608	13,576	0	0	0	0	(146,413)	0	5,268,771
Infrastructure - Other	891,648	128,252	0	0	0	0	(24,677)	0	995,223
Total infrastructure	<u>51,581,711</u>	<u>2,293,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,754,309)</u>	<u>0</u>	<u>52,120,402</u>

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

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads & drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - footpaths & kerbing	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Recreation	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

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

	2016	2015
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	111,262	157,176
Accrued salaries and wages	86,313	66,008
ATO liabilities	58,682	80,918
	<u>256,257</u>	<u>304,102</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by floating charge		
Debentures	214,552	124,645
	<u>214,552</u>	<u>124,645</u>
Non-current		
Secured by floating charge		
Debentures	1,447,957	162,518
	<u>1,447,957</u>	<u>162,518</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	226,639	63,914	290,553
Non-current provisions	0	120,012	120,012
	<u>226,639</u>	<u>183,926</u>	<u>410,565</u>
Additional provision	(250,198)	(61,127)	(311,325)
Amounts used	214,744	23,236	237,980
Balance at 30 June 2016	<u>191,185</u>	<u>146,035</u>	<u>337,220</u>
Comprises			
Current	191,185	102,619	293,804
Non-current	0	43,416	43,416
	<u>191,185</u>	<u>146,035</u>	<u>337,220</u>

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

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Freebairn Sportsperson Reserve	35,726	835	(25,000)	11,561	35,726	10,715	(35,663)	10,778	34,582	1,144		35,726
Freebairn Recreation Centre Reserve	113,707	27,883	(113)	141,477	113,706	27,275		140,981	231,319	32,388	(150,000)	113,707
Insurance Reserve	104,437	1,366	(105,803)	0	104,437	2,090	(100,000)	6,527	79,798	24,639	0	104,437
Plant Reserve	124,478	346,397		470,875	124,478	2,490		126,968	23,694	100,784		124,478
Leave Reserve	140,136	103,393		243,529	140,136	2,800		142,936	135,650	4,486		140,136
Building Reserve	201,289	1,009,005	(200,000)	1,010,294	201,289	4,025	(200,000)	5,314	147,149	54,140		201,289
Admin Equipment Reserve	60,417	70,821	(61,238)	70,000	60,417	1,210	(60,500)	1,127	58,483	1,934		60,417
Natural Disaster Reserve	128,489	3,069		131,558	128,489	2,570		131,059	124,376	4,113		128,489
Joint Venture Housing Reserve	86,430	2,073		88,503	86,430	1,730		88,160	83,663	2,767		86,430
FRC Surface Replacement Reserve	25,930	22,652		48,582	25,930	20,520		46,450	13,929	12,001		25,930
Town Planning Reserve	14,372	351	(7,000)	7,723	14,372	290	(14,000)	662	13,912	460		14,372
General Purpose Reserve	0			0	0	30,000		30,000	375,727	12,430	(388,157)	0
	<u>1,035,411</u>	<u>1,587,844</u>	<u>(399,154)</u>	<u>2,224,101</u>	<u>1,035,410</u>	<u>105,715</u>	<u>(410,163)</u>	<u>730,962</u>	<u>1,322,282</u>	<u>251,286</u>	<u>(538,157)</u>	<u>1,035,411</u>

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

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

Name of Reseve	Purpose of the reserve
Freebairn Sportsperson Reserve	- to be used to provide scholarships for young local sportspersons to develop their sporting talent
Freebairn Recreation Centre Reserve	- to be used in maintaining the existing Freebairn Recreation Centre
Plant Reserve	- to be used for the purpose of major plant
Leave Reserve	- to be used to fund annual and long service leave requirements
Building Reserve	- to be used for the purpose of developing future housing
Admin Equipment Reserve	- to be used to ensure that the administration equipment is maintained
Natural Disaster Reserve	- to be used to fund road and infrastructure restoration in the event of a natural disaster in the Shire
Joint Venture Housing Reserve	- to be used in maintaining buildings previously constructed under joint venture housing arrangements
FRC Surface Replacement Reserve	- to be used to replace FRC sports surfaces and other equipment as necessary
Town Planning Reserve	- to be used to fund the preparation of a new Local Planning Strategy for the Shire
General Purpose Reserve	- to be used for future repayments of loans and/or at the discretion of Council during future

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

13. REVALUATION SURPLUS

	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance	2015 Opening Balance	2015 Revaluation Increment	2015 Revaluation Decrement	2015 Total Movement on Revaluation	2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	12,045,322	0	0	0	12,045,322	12,045,322	0	0	0	12,045,322
Property, Plant & Equipment	1,015,602	501,750		501,750	1,517,352	1,015,602	0	0	0	1,015,602
Infrastructure	0	0	0	0	0	0	0	0	0	0
Infrastructure - roads & drainage	21,711,519	0	0	0	21,711,519	5,520,961	16,190,558	0	16,190,558	21,711,519
	34,772,443	501,750	0	501,750	35,274,193	18,581,885	16,190,558	0	16,190,558	34,772,443

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>3,442,592</u>	<u>1,275,226</u>	<u>2,990,965</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	148,441	(288,192)	1,298,724
Non-cash flows in Net result:			
Depreciation	2,766,130	2,159,820	2,090,512
(Profit)/Loss on sale of asset	46,278	12,500	188,063
Fair value adjustments to fixed assets at fair value through profit or loss	(324,531)	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	47,610	25,000	9,495
(Increase)/Decrease in inventories	21,943	(10,000)	20,319
Increase/(Decrease) in payables	(47,845)	(10,000)	40,406
Increase/(Decrease) in provisions	(73,345)	(5,000)	12,634
(Increase)/Decrease in Work in Progress	0	0	32,154
Grants contributions for the development of assets	<u>(1,504,999)</u>	<u>(2,277,142)</u>	<u>(1,122,933)</u>
Net cash from operating activities	<u>1,079,684</u>	<u>(393,014)</u>	<u>2,569,373</u>
	2016		2015
	\$		\$
(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	1,492		1,511
Total amount of credit unused	<u>8,508</u>		<u>8,489</u>
Loan facilities			
Loan facilities - current	214,552		124,645
Loan facilities - non-current	1,447,957		162,518
Total facilities in use at balance date	<u>1,662,509</u>		<u>287,163</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

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

15. CONTINGENT LIABILITIES

The Shire of Kulin is unaware of any contingent liabilities as at 30 June 2016.

16. CAPITAL AND LEASING COMMITMENTS	2016	2015
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	24,278	0
- later than one year but not later than five years	49,763	0
- later than five years	0	0
	<u>74,041</u>	<u>0</u>

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the reporting date.

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:

	2016	2015
	\$	\$
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

	2016	2015
	\$	\$
Governance	1,096,951	1,074,131
General purpose funding	0	0
Law, order, public safety	675,833	739,332
Health	4,051	0
Education and welfare	11,601	932
Housing	2,091,800	2,135,000
Community amenities	785,689	775,627
Recreation and culture	12,774,365	13,112,160
Transport	46,413,569	45,832,192
Economic services	5,805,191	5,728,894
Other property and services	3,266,043	3,419,446
Unallocated	1,707,177	1,547,000
	<u>74,632,269</u>	<u>74,364,713</u>

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

	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	5.84	6.14	4.86
Asset sustainability ratio	1.26	1.66	2.85
Debt service cover ratio	10.02	16.25	1.16
Operating surplus ratio	(0.39)	0.05	(0.34)
Own source revenue coverage ratio	0.49	0.50	0.48

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 59 of this document.

	2016	2015
Debt service cover ratio	8.91	9.94
Operating surplus ratio	0.15	0.03

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

20. TRUST FUNDS

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

	1 July 2015 \$	Amounts \$	Amounts Paid (\$)	30 June 2016 \$
Housing Bonds	14,465	5,390	(3,690)	16,165
Rates Paid in Advance	17,810	26,730	(24,151)	20,389
Health Centre	2,342	0	0	2,342
Landcare Group	1,573	0	0	1,573
Trip Fund	11,500	13,840	(12,120)	13,220
Bush Fire	81	0	0	81
Kulin Softball Club	684	0	0	684
Camp Hart	758	66	0	824
FRC Court Resurfacing	1,500	0	0	1,500
Camp Kulin	803	0	0	803
Standpipe Cards	80	0	0	80
Headworks Western Power KRH	5,630			5,630
St John Ambulance	0	1,500	0	1,500
	<u>57,227</u>			<u>64,792</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Governance								
MV151 2015 Holden Caprice	35,828	40,524	4,696	0	40,000	40,000	0	0
MV156 2015 Holden Caprice	39,640	39,091	0	(549)	40,000	40,000	0	0
Disposals related to fair value exercise	33,638	0	0	(33,638)				
Community amenities								
Proudview Lot	0	0	0	0	105,000	80,000	0	(25,000)
Transport								
MV147 2014 Toyota Prado	41,809	41,411	0	(397)	48,000	50,000	2,000	0
MV22 Toyota Utility	2,933	1,909	0	(1,024)	3,500	2,000	0	(1,500)
MV56 Mitsubishi Triton	1,687	2,057	370	0	2,000	2,000	0	0
PE144 2009 Isuzu Giga Primmover	56,233	35,000	0	(21,233)	60,000	50,000	0	(10,000)
PE39 Caterpillar 12G Grader	34,504	40,000	5,496	0	45,000	60,000	15,000	0
Hamm Roller	0	0	0	0	33,000	40,000	7,000	0
	<u>246,271</u>	<u>199,993</u>	<u>10,562</u>	<u>(56,841)</u>	<u>376,500</u>	<u>364,000</u>	<u>24,000</u>	<u>(36,500)</u>

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2016	Repayments	Repayments
	2015		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
Administration Centre	0	1,500,000	0	0	1,500,000	0	0	0
Housing								
GEHA Housing	287,030	0	124,645	124,653	162,385	162,377	17,860	16,358
	<u>287,030</u>	<u>1,500,000</u>	<u>124,645</u>	<u>124,653</u>	<u>1,662,385</u>	<u>162,377</u>	<u>17,860</u>	<u>16,358</u>

(b) New Debentures - 2015/16

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Administration Centre	1,500,000	600,000	WATC	Debenture	15	380,411	3.06%	1,500,000	600,000	0
	<u>1,500,000</u>	<u>600,000</u>				<u>380,411</u>		<u>1,500,000</u>	<u>600,000</u>	<u>0</u>

(c) Unspent Debentures

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

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

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Residential	0.1318	134	908,336	119,701	(8,284)	0	111,417	119,701	0	0	119,701
Industrial	0.1318	8	47,476	6,256	0	0	6,256	6,256	0	0	6,256
Commercial	0.1318	26	278,564	36,709	0	0	36,709	36,709	0	0	36,709
Rural	0.1318	11	67,080	8,840	-	-	8,840	8,840	-	-	8,840
Unimproved value valuations											
Rural	0.0106	353	156,024,000	1,647,934	-	-	1,647,934	1,647,925	500	-	2,000
Mining	0.0106	-	-	-	-	-	-	-	-	-	-
Sub-Total		532	157,325,456	1,819,440	-	8,284	1,811,156	1,819,431	500	-	2,000
Minimum payment \$											
Gross rental value valuations											
Residential	407.40	10	3,905	4,074	-	-	4,074	4,074	-	-	4,074
Industrial	407.40	12	20,648	4,889	-	-	4,889	4,889	-	-	4,889
Commercial	407.40	6	1,040	2,444	-	-	2,444	2,444	-	-	2,444
Rural	407.40	6	9,950	2,444	-	-	2,444	2,444	-	-	2,444
Unimproved value valuations											
Rural	407.40	8	201,300	3,259	-	-	3,259	3,259	-	-	3,259
Mining	407.40	6	32,807	2,444	-	-	2,444	2,444	-	-	2,444
Sub-Total		48	269,650	19,555	-	-	19,555	19,554	-	-	19,554
		580	157,595,106	1,838,995	(8,284)	0	1,830,711	1,838,985	500	(2,000)	1,837,485
Discounts/concessions (refer note 27)							(82,008)				(80,000)
Total amount raised from general rate							1,748,703				1,757,485
Specified Area Rate (refer note 25)							0				0
Ex-gratia rates							20,264				20,264
Totals							1,768,967				1,777,749

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

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	998,374	1,435,862	1,435,862
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,055,750	1,793,266	1,793,266
Restricted	2,386,842	1,197,699	1,197,699
Investments			
Financial assets at fair value through profit and loss	324,531	0	0
Receivables			
Rates outstanding	86,202	118,022	118,022
Sundry debtors	19,935	29,034	29,034
GST receivable	33,973	40,664	40,664
Fuel Tax Credit Receivable	3,356	3,244	3,244
Inventories			
Fuel and materials	11,263	32,062	32,062
Freebairn Recreation Centre Stock	13,081	14,225	14,225
Land held for resale - cost			
Cost of acquisition	0	0	0
Development costs	1,525,000	1,525,000	1,525,000
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(111,262)	(157,176)	(157,176)
Accrued salaries and wages	(86,313)	(66,008)	(66,008)
ATO liabilities	(58,682)	(80,918)	(80,918)
User defined 2	0	0	0
Current portion of long term borrowings			
Secured by floating charge	(214,552)	(124,645)	(124,645)
Provisions			
Provision for annual leave	(191,185)	(226,639)	(226,639)
Provision for long service leave	(102,619)	(63,914)	(63,914)
Unadjusted net current assets	4,695,665	4,033,916	4,033,916
Adjustments			
Less: Reserves - restricted cash	(2,224,101)	(1,035,411)	(1,035,411)
Less: Kulin Bush Races	(162,741)	(162,288)	(162,288)
Less: Land held for resale - cost			
Cost of acquisition	0	0	0
Development costs	(1,525,000)	(1,525,000)	(1,525,000)
Less: Fuel Tax Credit Receivable			
Add: Secured by floating charge	214,552	124,645	124,645
Adjusted net current assets - surplus/(deficit)	998,374	1,435,862	1,435,862

Difference

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

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

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire of Kulin did not impose any Specified Area Rates

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire of Kulin did not impose any Service Charges.

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

Rates Discounts

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$
Early Payment Discount	5.00%	82,008	80,000
		82,008	80,000

Circumstances in which Discount is Granted

Full Payment of Rates received prior to 4:30PM on the last day of September

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

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	30-Sep-16	0	5.50%	11.00%
Option Two				
First Instalment	30-Sep-16	7	5.50%	11.00%
Second Instalment	01-Feb-16	7	5.50%	11.00%
Option Three				
First Instalment	30-Sep-15	7	5.50%	11.00%
Second Instalment	01-Dec-15	7	5.50%	11.00%
Third Instalment	01-Feb-16	7	5.50%	11.00%
Fourth Instalment	01-Apr-16	7	5.50%	11.00%

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	12,060	8,000
Interest on instalment plan	1,030	2,000
Charges on instalment plan	616	1,200
	13,705	11,200

SHIRE OF KULIN
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FOR THE YEAR ENDED 30TH JUNE 2016

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	60,552	1,085
General purpose funding	2,516	3,500
Law, order, public safety	2,359	1,228
Health	0	0
Education and welfare	152,828	121,884
Housing	145,965	198,592
Community amenities	80,553	78,582
Recreation and culture	226,238	187,074
Transport	13,000	0
Economic services	772,590	714,467
Other property and services	196,801	281,467
	<u>1,653,400</u>	<u>1,587,879</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	0	
General purpose funding	842,075	2,496,587
Law, order, public safety	48,888	43,625
Health	0	0
Education and welfare	80,054	65,809
Housing	0	0
Community amenities	0	0
Recreation and culture	34,500	30,000
Transport	482,565	161,500
Economic services	225,672	254,918
Other property and services	0	0
	<u>1,713,753</u>	<u>3,052,440</u>
Non-operating grants, subsidies and contributions		
Governance	0	0
General purpose funding	0	0
Law, order, public safety	0	0
Health	0	0
Education and welfare	0	0
Housing	0	0
Community amenities	25,394	82,239
Recreation and culture	21,317	244,411
Transport	1,391,043	796,283
Economic services	67,245	0
Other property and services	0	0
	<u>1,504,999</u>	<u>1,122,933</u>
	<u>3,218,752</u>	<u>4,175,373</u>

SHIRE OF KULIN
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FOR THE YEAR ENDED 30TH JUNE 2016

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2016	2015
	<u>40</u>	<u>39</u>

32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
	\$	\$	\$
Meeting Fees	22,000	22,000	14,250
President's allowance	3,350	4,500	5,000
Travelling expenses	10,087	14,920	9,557
Telecommunications Allowance	5,659	7,200	6,929
	<u>41,096</u>	<u>48,620</u>	<u>35,736</u>

33. MAJOR LAND TRANSACTIONS

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

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,442,592	2,990,966	3,442,592	2,990,966
Receivables	148,466	195,965	148,466	195,965
	<u>3,591,058</u>	<u>3,186,931</u>	<u>3,591,058</u>	<u>3,186,931</u>
Financial liabilities				
Payables	256,257	304,102	256,257	304,102
Borrowings	1,662,509	287,163	1,662,509	287,163
	<u>1,918,766</u>	<u>591,265</u>	<u>1,918,766</u>	<u>591,265</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 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2016	2015
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	34,426	29,910
- Statement of Comprehensive Income	34,426	29,910

Notes:

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

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

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

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	47%	34%
- Overdue	53%	66%
Percentage of other receivables		
- Current	91%	76%
- Overdue	9%	24%

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

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	256,257	0	0	256,257	256,257
Borrowings	<u>214,552</u>	<u>381,478</u>	<u>1,066,480</u>	<u>1,662,509</u>	<u>1,662,509</u>
	<u><u>470,809</u></u>	<u><u>381,478</u></u>	<u><u>1,066,480</u></u>	<u><u>1,918,766</u></u>	<u><u>1,918,766</u></u>
<u>2015</u>					
Payables	304,102	0	0	304,102	304,102
Borrowings	<u>124,645</u>	<u>162,518</u>	<u>0</u>	<u>287,163</u>	<u>287,163</u>
	<u><u>428,747</u></u>	<u><u>162,518</u></u>	<u><u>0</u></u>	<u><u>591,265</u></u>	<u><u>591,265</u></u>

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

35. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

	<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 2016</u>								
Borrowings								
Fixed rate								
Debentures	214,552	117,867	85,224	87,843	90,543	1,066,479	1,662,509	3.50%
Weighted average Effective interest rate	5.84%	4.38%	3.05%	3.05%	3.05%	3.05%		
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	0	287163	0	0	0	0	287163	7.51%
Weighted average Effective interest rate	0.00%	7.51%	0.00%	0.00%	0.00%	0.00%		

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

RATIO INFORMATION

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

	2016	2015	2014
Asset consumption ratio	0.68	0.73	N/A
Asset renewal funding ratio	0.38	0.43	N/A

The above ratios are calculated as follows:

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

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 2016 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 did not become aware of any matter which did not comply with the Local Government (Financial Management) Regulations 1996 (as amended) or Part 6 of the Local Government Act 1995.

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 2016 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: 16 November 2016