

**SHIRE OF KULIN**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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**COMMUNITY VISION**

A healthy, harmonious and progressive community where all people are willing to contribute and enjoy opportunities to be successful.

Principal place of business:  
38 Johnston Street, Kulin WA 6365

**SHIRE OF KULIN  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Kulin for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Kulin at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

16th day of

April 2019



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Chief Executive Officer

Garrick Yandle

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Name of Chief Executive Officer

**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	20(a)	1,890,225	1,896,823	1,825,384
Operating grants, subsidies and contributions	2	2,539,652	1,585,805	3,409,756
Fees and charges	2	1,501,397	1,304,208	1,284,977
Interest earnings	2(a)	77,380	71,005	84,619
Other revenue	2(a)	496,434	267,987	284,801
		<b>6,505,089</b>	<b>5,125,828</b>	<b>6,889,537</b>
<b>Expenses</b>				
Employee costs		(2,443,071)	(2,347,324)	(2,017,572)
Materials and contracts		(1,908,722)	(1,761,915)	(1,706,930)
Utility charges		(263,430)	(234,926)	(270,290)
Depreciation on non-current assets	9(b)	(2,886,530)	(2,810,664)	(2,749,106)
Interest expenses	12(a)	(54,604)	(43,261)	(62,923)
Insurance expenses		(228,821)	(203,437)	(236,882)
Other expenditure		(420,726)	(249,700)	(226,704)
		<b>(8,205,904)</b>	<b>(7,651,227)</b>	<b>(7,270,407)</b>
		<b>(1,700,815)</b>	<b>(2,525,399)</b>	<b>(380,870)</b>
Non-operating grants, subsidies and contributions	2	1,190,769	1,118,872	1,872,713
Profit on asset disposals	9(a)	4,159	15,000	5,469
(Loss) on asset disposals	9(a)	(105,572)	(111,000)	(39,857)
<b>Net result</b>		<b>(611,459)</b>	<b>(1,502,527)</b>	<b>1,457,455</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	30,253,678	0	3,685,469
<b>Total other comprehensive income</b>		<b>30,253,678</b>	<b>0</b>	<b>3,685,469</b>
<b>Total comprehensive income</b>		<b>29,642,219</b>	<b>(1,502,527)</b>	<b>5,142,924</b>

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

**STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
	2(a)			
Governance		60,947	47,128	110,048
General purpose funding		3,910,237	2,964,112	4,623,013
Law, order, public safety		40,031	37,425	32,366
Health		76,243	0	225
Education and welfare		190,956	251,580	190,672
Housing		117,117	129,016	148,189
Community amenities		89,026	93,250	87,825
Recreation and culture		198,608	223,850	231,440
Transport		112,841	112,782	189,609
Economic services		1,511,823	1,318,268	1,259,839
Other property and services		291,157	95,916	120,908
		<b>6,598,987</b>	<b>5,273,327</b>	<b>6,994,134</b>
<b>Expenses</b>				
	2(a)			
Governance		(164,565)	(249,867)	(287,168)
General purpose funding		(178,384)	(168,112)	(160,137)
Law, order, public safety		(144,745)	(140,090)	(130,140)
Health		(88,415)	(112,325)	(90,539)
Education and welfare		(228,828)	(287,490)	(209,330)
Housing		(225,933)	(139,680)	(250,774)
Community amenities		(303,458)	(351,305)	(308,544)
Recreation and culture		(1,126,305)	(1,138,959)	(1,120,976)
Transport		(3,295,476)	(3,485,133)	(3,092,301)
Economic services		(1,834,510)	(1,622,137)	(1,587,675)
Other property and services		(654,578)	(60,367)	(74,497)
		<b>(8,245,199)</b>	<b>(7,755,465)</b>	<b>(7,312,081)</b>
<b>Finance Costs</b>				
	12(a)			
Governance		(54,604)	(43,261)	(55,624)
Housing		0	0	(7,299)
		<b>(54,604)</b>	<b>(43,261)</b>	<b>(62,923)</b>
		<b>(1,700,815)</b>	<b>(2,525,399)</b>	<b>(380,870)</b>
Non-operating grants, subsidies and contributions	2	1,190,769	1,118,872	1,872,713
Profit on disposal of assets	9(a)	4,159	15,000	5,469
(Loss) on disposal of assets	9(a)	(105,572)	(111,000)	(39,857)
		<b>1,089,356</b>	<b>1,022,872</b>	<b>1,838,325</b>
		<b>(611,459)</b>	<b>(1,502,527)</b>	<b>1,457,455</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	30,253,678	0	3,685,469
<b>Total other comprehensive income</b>		<b>30,253,678</b>	<b>0</b>	<b>3,685,469</b>
<b>Total comprehensive income</b>		<b>29,642,219</b>	<b>(1,502,527)</b>	<b>5,142,925</b>

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	4,338,821	4,002,773
Trade and other receivables	5	189,228	385,101
Inventories	6	29,123	45,459
<b>TOTAL CURRENT ASSETS</b>		<b>4,557,173</b>	<b>4,433,333</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	5,000	5,000
Property, plant and equipment	7	28,923,993	29,251,272
Infrastructure	8	80,835,115	51,272,648
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,764,108</b>	<b>80,528,920</b>
<b>TOTAL ASSETS</b>		<b>114,321,281</b>	<b>84,962,253</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	284,104	489,939
Current portion of long term borrowings	12(a)	85,177	111,326
Provisions	13	312,752	299,350
<b>TOTAL CURRENT LIABILITIES</b>		<b>682,033</b>	<b>900,615</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	12(a)	1,251,498	1,337,212
Provisions	13	85,924	64,820
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,337,422</b>	<b>1,402,032</b>
<b>TOTAL LIABILITIES</b>		<b>2,019,455</b>	<b>2,302,647</b>
<b>NET ASSETS</b>		<b>112,301,826</b>	<b>82,659,606</b>
<b>EQUITY</b>			
Retained surplus		41,339,200	42,161,398
Reserves - cash backed	4	2,073,818	1,863,077
Revaluation surplus	10	68,888,809	38,635,131
<b>TOTAL EQUITY</b>		<b>112,301,826</b>	<b>82,659,606</b>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2018**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>		<b>40,342,919</b>	<b>2,224,101</b>	<b>34,949,662</b>	<b>77,516,682</b>
Comprehensive income					
Net result		1,457,455	0	0	1,457,455
Other Comprehensive Income	10	0	0	3,685,469	3,685,469
Total comprehensive income		1,457,455	0	3,685,469	5,142,924
Transfers from/(to) reserves		361,024	(361,024)	0	0
<b>Balance as at 30 June 2017</b>		<b>42,161,398</b>	<b>1,863,077</b>	<b>38,635,131</b>	<b>82,659,606</b>
Comprehensive income					
Net result		(611,459)	0	0	(611,459)
Other Comprehensive Income	10	0	0	30,253,678	30,253,678
Total comprehensive income		(611,459)	0	30,253,678	29,642,219
Transfers from/(to) reserves		(210,741)	210,741	0	0
<b>Balance as at 30 June 2018</b>		<b>41,339,200</b>	<b>2,073,818</b>	<b>68,888,809</b>	<b>112,301,825</b>

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		\$	\$	\$
<b>Receipts</b>				
Rates		1,872,471	1,881,823	1,827,178
Operating grants, subsidies and contributions		2,700,177	1,625,805	3,206,668
Fees and charges		1,501,397	1,304,208	1,284,977
Interest earnings		77,380	71,005	84,619
Goods and services tax		7,617	5,000	0
Other revenue		496,434	267,987	284,801
		6,655,476	5,155,828	6,688,244
<b>Payments</b>				
Employee costs		(2,421,045)	(2,307,324)	(1,955,291)
Materials and contracts		(2,040,254)	(1,746,915)	(1,575,179)
Utility charges		(263,430)	(234,926)	(270,290)
Interest expenses		(54,604)	(43,261)	(62,923)
Insurance expenses		(228,821)	(203,437)	(236,882)
Goods and services tax		0	0	5,144
Other expenditure		(420,726)	(249,700)	(222,115)
		(5,428,882)	(4,785,563)	(4,317,536)
<b>Net cash provided by (used in) operating activities</b>	14	1,226,594	370,265	2,370,708
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,062,476)	(1,915,800)	(1,806,954)
Payments for construction of infrastructure		(1,152,130)	(1,792,788)	(1,998,894)
Non-operating grants, subsidies and contributions		1,190,769	1,118,872	1,872,713
Proceeds from sale of fixed assets		245,155	258,000	336,579
<b>Net cash provided by (used in) investment activities</b>		(778,683)	(2,331,716)	(1,596,555)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings		(111,863)	(106,814)	(213,971)
Proceeds from new long term borrowings		0	500,000	0
<b>Net cash provided by (used in) financing activities</b>		(111,863)	393,186	(213,971)
<b>Net increase (decrease) in cash held</b>		336,048	(1,568,265)	560,182
Cash at beginning of year		4,002,773	4,079,054	3,442,592
<b>Cash and cash equivalents at the end of the year</b>	14	4,338,821	2,510,789	4,002,774

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

**RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>				
		1,780,966	1,528,224	836,239
		1,780,966	1,528,224	836,239
<b>Revenue from operating activities (excluding rates)</b>				
Governance		60,947	53,128	88,771
General purpose funding		2,020,010	1,067,289	2,818,906
Law, order, public safety		40,031	37,425	32,366
Health		76,243	0	225
Education and welfare		190,956	251,580	190,672
Housing		117,117	133,016	148,189
Community amenities		89,026	93,250	87,825
Recreation and culture		198,608	223,850	231,440
Transport		116,999	117,782	189,609
Economic services		1,511,823	1,318,268	1,259,839
Other property and services		291,158	95,916	126,377
		4,712,918	3,391,504	5,174,219
<b>Expenditure from operating activities</b>				
Governance		(229,728)	(253,867)	(342,792)
General purpose funding		(178,384)	(168,112)	(160,137)
Law, order, public safety		(144,745)	(140,090)	(130,140)
Health		(88,415)	(112,325)	(90,539)
Education and welfare		(228,828)	(287,490)	(209,330)
Housing		(225,933)	(182,941)	(258,073)
Community amenities		(303,458)	(351,305)	(308,544)
Recreation and culture		(1,126,305)	(1,138,959)	(1,120,976)
Transport		(3,390,489)	(3,592,133)	(3,092,301)
Economic services		(1,834,510)	(1,622,137)	(1,587,675)
Other property and services		(654,578)	(60,367)	(114,354)
		(8,405,373)	(7,909,726)	(7,414,861)
<b>Operating activities excluded</b>				
(Profit) on disposal of assets	9(a)	(4,159)	(15,000)	(5,469)
Loss on disposal of assets	9(a)	105,572	111,000	39,857
Realisation of Prepaid Asset				4,588
Movement in employee benefit provisions (non-current)		21,104	0	21,404
Depreciation and amortisation on assets	9(b)	2,886,530	2,810,664	2,749,106
<b>Amount attributable to operating activities</b>		1,097,558	(83,334)	1,405,083
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,190,769	1,118,872	1,872,713
Proceeds from disposal of assets	9(a)	245,155	258,000	336,580
Purchase of property, plant and equipment	7(b)	(1,062,476)	(1,915,800)	(1,806,953)
Purchase and construction of infrastructure	8(b)	(1,152,130)	(1,792,788)	(1,998,894)
<b>Amount attributable to investing activities</b>		(778,684)	(2,331,716)	(1,596,554)
<b>FINANCING ACTIVITIES</b>				
Repayment of long term borrowings	12(a)	(111,863)	(106,814)	(213,971)
Proceeds from new long term borrowings	12(b)	0	500,000	0
Transfers to reserves (restricted assets)	4	(420,739)	(202,005)	(196,890)
Transfers from reserves (restricted assets)	4	210,000	385,000	557,914
<b>Amount attributable to financing activities</b>		(322,603)	576,181	147,054
<b>Surplus(deficiency) before general rates</b>		(3,729)	(1,838,869)	(44,417)
<b>Total amount raised from general rates</b>	20	1,890,227	1,896,823	1,825,384
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	21	<b>1,886,498</b>	<b>57,954</b>	<b>1,780,968</b>

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



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**1. 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. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

The Local Government (Financial Management) Regulation 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreation facility of State or regional significance. Consequently some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads, paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

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 23 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

(a) Revenue

Other revenue

Kulin Bush Races Income	482,096	284,801
Community Contributions	14,178	0
Other	160	0
	496,434	284,801

Fees and Charges

Governance	4,943	3,472
General purpose funding	6,926	7,849
Law, order, public safety	3,273	3,574
Health	0	225
Education and welfare	125,394	132,038
Housing	116,932	143,000
Community amenities	89,026	85,925
Recreation and culture	183,499	178,218
Transport	0	288
Economic services	728,855	661,508
Other property and services	242,548	68,879
	1,501,397	1,284,977

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(a) Revenue (Continued)**

**Grant Revenue**

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

	2018	2017
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
Governance	55,825	96,593
General purpose funding	1,841,807	2,595,162
Law, order, public safety	36,759	28,793
Health	76,243	0
Education and welfare	65,561	58,633
Housing	184	5,189
Community amenities	0	1,900
Recreation and culture	950	33,850
Transport	112,841	194,723
Economic services	300,872	342,885
Other property and services	48,610	52,029
	2,539,652	3,409,756
<b>Non-operating grants, subsidies and contributions</b>		
Community amenities	28,033	0
Transport	1,162,736	1,872,713
	1,190,769	1,872,713
<b>Total grants, subsidies and contributions</b>	<b>3,730,421</b>	<b>5,282,469</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Grants, Donations and Other Contributions**

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

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

**Grants, Donations and Other Contributions (Continued)**

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 19. 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 period.

**Interest earnings**

- Reserve funds  
- Other funds  
Other interest revenue (refer note 20(c))

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
- Reserve funds	44,846	37,006	46,891
- Other funds	20,313	25,000	24,487
Other interest revenue (refer note 20(c))	12,221	9,000	13,241
	77,380	71,006	84,619

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

**Auditors remuneration**

- Audit of the Annual Financial Report

**Interest expenses (finance costs)**

Long term borrowings (refer Note 12(a))

	2018	2017
	\$	\$
	15,100	15,850
	15,100	15,850
	54,604	62,923
	54,604	62,923

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

3. CASH AND CASH EQUIVALENTS	NOTE	2018 \$	2017 \$
Unrestricted		2,030,863	1,968,614
Restricted		2,307,958	2,034,159
		4,338,821	4,002,773
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Camp Kulin	4	0	25,000
Reserves cash backed - Natural Disaster	4	138,065	134,820
Reserves cash backed - Freebairn Recreation	4	204,075	169,983
Reserves cash backed - Plant Reserve	4	464,415	482,548
Reserves cash backed - Medical Services	4	76,243	0
Reserves cash backed - Fuel Facility	4	25,000	0
Reserves cash backed - Road Replacement	4	100,000	0
Reserves cash backed - Leave	4	246,175	274,566
Reserves cash backed - Building	4	488,579	477,095
Reserves cash backed - Admin Equipment	4	73,462	71,735
Reserves cash backed - Joint Venture Housing	4	92,881	90,697
Reserves cash backed - FRC Surface & Equipment	4	152,790	124,786
Reserves cash backed - Freebairn Estate Sportsper	4	12,133	11,847
Restricted Funds - Kulin Bush Races	4	234,142	167,456
Unspent grants	19	0	3,625
		2,307,960	2,034,158

#### SIGNIFICANT ACCOUNTING POLICIES

##### 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

##### Cash and cash equivalents (Continued)

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reserves cash backed - Camp Kulin	25,000		(25,000)	0	25,000	500		25,500	0	25,000		25,000
Reserves cash backed - Natural Disaster	134,820	3,245		138,066	134,820	2,441		137,261	131,558	3,261		134,819
Reserves cash backed - Freebairn Recreation	169,983	34,092		204,075	169,983	33,400		203,383	141,477	28,507		169,984
Reserves cash backed - Plant Reserve	482,548	131,867	(150,000)	464,416	482,548	119,650	(150,000)	452,198	470,875	11,673		482,548
Reserves cash backed - Medical Services	0	76,243		76,243				0	0			0
Reserves cash backed - Fuel Facility	0	25,000		25,000				0				0
Reserves cash backed - Road Replacement	0	100,000		100,000				0				0
Reserves cash backed - Leave	274,566	6,609	(35,000)	246,175	477,095	9,542	(200,000)	286,637	243,529	31,037		274,566
Reserves cash backed - Building	477,095	11,484		488,579	274,566	5,491	(35,000)	245,057	1,010,294	16,801	(550,000)	477,095
Reserves cash backed - Admin Equipment	71,735	1,727		73,462	71,736	1,434	0	73,170	70,000	1,735		71,735
Reserves cash backed - Joint Venture Housing	90,697	2,183		92,880	90,697	1,814		92,511	88,503	2,194		90,697
Reserves cash backed - FRC Surface & Equipment Replacement	124,786	28,004		152,790	124,786	27,496		152,282	48,582	76,204		124,786
Reserves cash backed - Freebairn Estate Sportsperson Scholarship	11,847	285		12,132	11,847	237		12,084	11,561	287		11,848
Reserves cash backed - Town planning Reserve	0			0				0	7,723	191	(7,914)	0
	1,863,077	420,738	(210,000)	2,073,818	1,863,078	202,005	(385,000)	1,680,083	2,224,102	196,890	(557,914)	1,863,078

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 Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Camp Kulin	When Required	To restrict surplus funds from previous years programs to fund future projects
Reserves cash backed - Natural Disaster	When Required	To fund the restoration of roads and infrastructure in the event of a natural disaster.
Reserves cash backed - Freebairn Recreation	When Required	To be used to fund maintenance projects at the Freebairn Recreation Centre.
Reserves cash backed - Plant Reserve	When Required	To fund the purchase of major plant.
Reserves cash backed - Medical Services	When Required	To fund the provision of medical services in the future
Reserves cash backed - Fuel Facility	When Required	To fund the replacement of the fuel facility
Reserves cash backed - Road Replacement	When Required	To fund the construction of roads in the 2018/2019 financial year
Reserves cash backed - Leave	When Required	To fund the annual leave and long service leave requirements.
Reserves cash backed - Building	When Required	To fund the development of future housing.
Reserves cash backed - Admin Equipment	When Required	To ensure that administration equipment can be maintained.
Reserves cash backed - Joint Venture Housing	When Required	To be used when maintaining buildings previously constructed under joint venture housing arrangements.
Reserves cash backed - FRC Surface & Equipment Replacement	When Required	To fund the replacement of equipment and sports surfaces at the Freebairn Recreation Facility as necessary.
Reserves cash backed - Freebairn Estate Sportsperson Scholarship	When Required	To help fund local sportspeople develop their talent.
Reserves cash backed - Town planning Reserve	When Required	To fund the preparation of the Local Planning Strategy for the Shire.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**5. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding
Sundry debtors
GST receivable
Fuel Tax Credit Receivable
Prepaid Assets

**Non-current**

Bendigo Bank Shares
---------------------

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

**Rates outstanding**

Includes:

Past due and not impaired
Impaired

**Sundry debtors**

Includes:

Past due and not impaired
Impaired

	2018	2017
	\$	\$
	102,162	84,408
	63,131	223,901
	21,212	28,829
	2,723	2,478
	0	45,485
	<b>189,228</b>	<b>385,101</b>
	5,000	5,000
	<b>5,000</b>	<b>5,000</b>
	44,255	51,992
	0	0
	14,245	161,480
	0	0

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Classification and subsequent measurement**

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**6. INVENTORIES**

**Current**

Fuel & Materials

Freebairn Recreation Centre Stock

<b>2018</b>	<b>2017</b>
<b>\$</b>	<b>\$</b>
17,871	34,274
11,252	11,185
<b>29,123</b>	<b>45,459</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**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.

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.



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Land and buildings		
Land at:		
- Independent valuation 2017	2,975,000	2,975,000
- Additions after valuation - cost	0	0
	<u>2,975,000</u>	<u>2,975,000</u>
Total land	<u>2,975,000</u>	<u>2,975,000</u>
Buildings at:		
- Independent valuation 2017 - level 2	20,836,588	20,836,587
- Additions after valuation - cost	87,809	0
Less: accumulated depreciation	(453,832)	0
	<u>20,470,565</u>	<u>20,836,587</u>
Construction Other Than Buildings at:		
- Independent valuation 2017 - level 2	653,727	653,727
- Additions after valuation - cost	61,589	0
Less: accumulated depreciation	(15,820)	0
	<u>699,496</u>	<u>653,727</u>
Total buildings	<u>21,170,061</u>	<u>21,490,314</u>
Total land and buildings	<u>24,145,061</u>	<u>24,465,314</u>
Furniture and equipment at:		
- Management valuation 2016 - Level 3	98,362	98,362
- Additions after valuation - cost	57,178	40,240
Less: accumulated depreciation	(36,158)	(8,895)
	<u>119,382</u>	<u>129,707</u>
Plant and equipment at:		
- Management valuation 2016 - Level 3	2,445,159	2,445,159
- Additions after valuation - cost	928,845	462,549
Less: accumulated depreciation	(1,074,260)	(687,592)
	<u>2,299,744</u>	<u>2,220,116</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

Motor Vehicles at:

- Management valuation 2016 - Level 2
- Additions after valuation - cost

Less: accumulated depreciation

Land held for resale at:

- Independent valuation 2017 - Level 2

Less: accumulated depreciation

**Total property, plant and equipment**

	2018	2017
	\$	\$
	739,965	739,965
	325,003	304,795
	(196,162)	(99,625)
	868,806	945,135
	1,491,000	1,491,000
	0	0
	1,491,000	1,491,000
	28,923,993	29,251,272

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land	Total land	Buildings	Construction Other Than Buildings	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Motor Vehicles	Land held for resale	Work In Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	2,975,000	2,975,000	14,221,093	490,388	14,711,481	17,686,481	136,848	2,173,418	929,991	1,525,000	1,585,127	24,036,866
Additions		0	823,811	24,802	848,612	848,612	1,755	550,339	406,249			1,806,954
(Disposals)		0			0	0		(109,643)	(261,322)			(370,966)
Transfers		0	1,580,538		1,580,538	1,580,538					(1,585,127)	(4,589)
Revaluation increments/ (decrements) transferred to revaluation surplus		0	4,587,460	160,078	4,747,538	4,747,538				(34,000)		4,713,538
Depreciation (expense)		0	(376,315)	(21,540)	(397,855)	(397,855)	(8,895)	(393,997)	(129,782)			(930,530)
<b>Carrying amount at 30 June 2017</b>	2,975,000	2,975,000	20,836,587	653,727	21,490,314	24,465,314	129,707	2,220,116	945,135	1,491,000	0	29,251,272
Additions		0	87,809	61,589	149,398	149,398	16,938	686,295	209,845			1,062,476
(Disposals)		0			0	0		(173,167)	(173,399)			(346,566)
Depreciation (expense)		0	(453,831)	(15,820)	(469,651)	(469,651)	(27,263)	(433,500)	(112,773)			(1,043,187)
<b>Carrying amount at 30 June 2018</b>	2,975,000	2,975,000	20,470,565	699,496	21,170,061	24,145,061	119,382	2,299,744	868,806	1,491,000	0	28,923,993

7. 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
<b>Land and buildings</b>					
Land	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	June 2017	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (Level3) inputs.
Buildings	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	June 2017	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (Level3) 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	June 2017	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (Level3) inputs.
<b>Furniture and equipment</b>					
<b>Plant and equipment</b>					
- Management Valuation 2016	2	Market approach is determined by comparison to actual sales data for the same or similar assets.	Management Valuation	June 2016	Market data, sales data and vehicle guides
<b>Motor Vehicles</b>	2	Market approach is determined by comparison to actual sales data for the same or similar assets.	Management Valuation	June 2016	Market data, sales data and vehicle guides
<b>Land held for resale</b>	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	June 2017	Market data

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**8 (a). INFRASTRUCTURE**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Infrastructure - Roads & Kerbing		
- Management valuation 2015 - Level 3	0	77,264,879
- Independent valuation 2018 - Level 3	118,015,819	0
- Additions after valuation		4,150,065
Less: accumulated depreciation	(42,635,496)	(35,641,237)
	<u>75,380,323</u>	<u>45,773,707</u>
 Infrastructure - Footpaths		
- Management valuation 2015 - Level 3	0	1,008,740
- Management Valuation 2018 - Level 3	1,094,950	0
Less: accumulated depreciation	(547,475)	(573,166)
	<u>547,475</u>	<u>435,574</u>
 Infrastructure - Recreation		
- Independent Valuation 2017 - Level 3	4,002,172	4,002,172
- Additions after valuation	0	0
Less: accumulated depreciation	(135,588)	0
	<u>3,866,584</u>	<u>4,002,172</u>
 Infrastructure - Other		
- Management Valuation 2015 - Level 3	1,189,888	1,189,888
- Additions after valuation	14,557	0
Less: accumulated depreciation	(163,712)	(128,693)
	<u>1,040,733</u>	<u>1,061,195</u>
 <b>Total infrastructure</b>	<u><b>80,835,115</b></u>	<u><b>51,272,648</b></u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure -				Total
	Roads & Kerbing	Infrastructure - Footpaths	Infrastructure - Recreation	Infrastructure - Other	Infrastructure
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	45,381,882	475,992	5,176,653	1,085,872	52,120,399
Additions	1,998,894				1,998,894
(Disposals)					0
Revaluation increments/ (decrements) transferred to revaluation surplus			(1,028,068)		(1,028,068)
Revaluation (loss)/ reversals transferred to profit or loss					0
Impairment (losses)/reversals					0
Depreciation (expense)	(1,607,069)	(40,418)	(146,413)	(24,677)	(1,818,577)
Transfers					0
<b>Carrying amount at 30 June 2017</b>	45,773,707	435,574	4,002,172	1,061,195	51,272,648
Additions	1,137,573			14,557	1,152,130
(Disposals)					0
Revaluation increments/ (decrements) transferred to revaluation surplus	30,107,380	146,298			30,253,679
Revaluation (loss)/ reversals transferred to profit or loss					0
Impairment (losses)/reversals					0
Depreciation (expense)	(1,638,338)	(34,397)	(135,588)	(35,019)	(1,843,342)
Transfers					0
<b>Carrying amount at 30 June 2018</b>	75,380,322	547,475	3,866,584	1,040,733	80,835,115

## 8. INFRASTRUCTURE (Continued)

### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads & Kerbing	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Recreation	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2017	Construction costs and current condition (Level 3), 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 3), 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.

## 9. FIXED ASSETS

### SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### 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.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

#### Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, 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.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>								
<b>Governance</b>								
2017 Toyota Kluger	33,950	28,182	0	(5,768)	34,000	30,000	0	(4,000)
2017 Holden Caprice	43,048	38,256	0	(4,791)	40,000	44,000	4,000	0
<b>Community amenities</b>								
Proudview Estate	0	0	0	0	26,000	30,000	4,000	0
<b>Other property and services</b>								
2012 Holden Colorado 4x4 Crew Cab	20,465	15,687	0	(4,778)	5,000	10,000	5,000	0
2014 Holden Colorado Wagon	21,646	20,984	0	(662)	20,000		0	(20,000)
2017 Toyota Prado DSL	54,293	44,545	0	(9,747)	45,000	40,000	0	(5,000)
CAT 928HZ Loader	70,841	75,000	4,159	0	82,000	60,000	0	(22,000)
Ammann Padfoot Roller	102,326	22,500	0	(79,826)	80,000	20,000	0	(60,000)
	346,568	245,155	4,159	(105,572)	354,000	258,000	15,000	(111,000)

(b) Depreciation

	2018	2017
	\$	\$
Buildings	453,831	376,315
Construction Other Than Buildings	15,820	21,540
Furniture and equipment	27,263	8,895
Plant and equipment	433,500	393,997
Motor Vehicles	112,773	129,782
Infrastructure - Roads & Kerbing	1,638,338	1,607,069
Infrastructure - Footpaths	34,397	40,418
Infrastructure - Recreation	135,588	146,413
Infrastructure - Other	35,019	24,677
	2,886,529	2,749,106

## 9. FIXED ASSETS (Continued)

### (b) Depreciation (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

##### Depreciation rates

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

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

##### Depreciation (Continued)

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.

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land & Buildings	15,730,792	0	0	0	15,730,792	12,045,322	4,747,538	(1,062,068)	3,685,470	15,730,792
Revaluation surplus -Plant and equipment	1,192,820	0	0	0	1,192,820	1,192,820			0	1,192,820
Revaluation surplus - Infrastructure - Roads & Kerbing	21,711,519	30,107,380	0	30,107,380	51,818,900	21,711,519			0	21,711,519
Revaluation surplus - Infrastructure - Footpaths	0	146,298	0	146,298	146,298				0	0
	38,635,131	30,253,679	0	30,253,679	68,888,809	34,949,661	4,747,538	(1,062,068)	3,685,470	38,635,131

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**11. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
Accrued salaries and wages  
ATO liabilities

	2018	2017
	\$	\$
	116,258	309,613
	114,055	89,883
	53,791	90,443
	<u>284,104</u>	<u>489,939</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**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

**Trade and other payables (Continued)**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>								
Administration Centre	1,419,842	0	82,630	82,630	1,337,212	1,337,212	53,920	42,820
<b>Housing</b>								
GEHA Housing	28,572		29,233	24,184	(661)	4,388	684	441
	<u>1,448,414</u>	<u>0</u>	<u>111,863</u>	<u>106,814</u>	<u>1,336,551</u>	<u>1,341,600</u>	<u>54,604</u>	<u>43,261</u>

Borrowings

	2018	2017
	\$	\$
Current	85,177	111,326
Non-current	1,251,498	1,337,212
	<u>1,336,675</u>	<u>1,448,538</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget						Actual	Budget	
	\$	\$				\$	%	\$	\$	\$
Staff Housing	0	500,000	Treasury	Loan	20	0	0.00%	0	500,000	0
	0	500,000				0		0	500,000	0

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

**Total amount of credit unused**

Loan facilities

Loan facilities - current

Loan facilities - non-current

**Total facilities in use at balance date**

Unused loan facilities at balance date

	2018	2017
	\$	\$
	10,000	10,000
	(2,716)	(2,129)
<b>Total amount of credit unused</b>	7,284	7,871
	85,177	111,326
	1,251,498	1,337,212
<b>Total facilities in use at balance date</b>	1,336,675	1,448,538
Unused loan facilities at balance date	NIL	NIL

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

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

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.

**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.

## 13. PROVISIONS

### Opening balance at 1 July 2017

Current provisions  
Non-current provisions

Additional provision  
Amounts used

### Balance at 30 June 2018

### Comprises

Current  
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
	202,646	96,704	299,350
		64,820	64,820
	202,646	161,524	364,170
	(53,042)	20,148	(32,894)
	26,521	40,879	67,400
	176,125	222,551	398,676
	176,125	136,627	312,752
		85,924	85,924
	176,125	222,551	398,676

### SIGNIFICANT ACCOUNTING POLICIES

#### 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.

##### Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

##### Other long-term employee benefits (Continued)

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.

##### 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

**Reconciliation of Cash**

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

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
Cash and cash equivalents	4,338,821	2,510,789	4,002,773
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(611,459)	(1,502,527)	1,457,455
Non-cash flows in Net result:			
Depreciation	2,886,529	2,810,664	2,749,106
(Profit)/loss on sale of asset	101,413	96,000	34,388
Non-Current Assets recognised	0		4,588
Changes in assets and liabilities:			
(Increase)/decrease in receivables	195,873	30,000	(241,635)
(Increase)/decrease in inventories	16,336	10,000	(21,115)
Increase/(decrease) in payables	(205,835)	5,000	233,682
Increase/(decrease) in provisions	34,506	40,000	26,950
Grants contributions for the development of assets	(1,190,769)	(1,118,872)	(1,872,713)
Net cash from operating activities	1,226,594	370,265	2,370,706



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Governance	1,264,945	1,264,910
Law, order, public safety	704,944	767,278
Health	3,849	4,051
Education and welfare	20,398	7,754
Housing	3,506,117	3,493,950
Community amenities	908,006	881,025
Recreation and culture	15,266,425	15,638,135
Transport	76,887,674	47,173,218
Economic services	5,520,808	5,614,915
Other property and services	3,618,807	3,578,501
Unallocated	6,619,307	6,538,517
	<b>114,321,280</b>	<b>84,962,253</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**16. CAPITAL AND LEASING COMMITMENTS**

**(a) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2018	2017
	\$	\$
	0	57,613
	0	0
	0	57,613

The are no capital expenditure projects outstanding at the end of the current reporting period. The prior year commitment was for the construction of the new recreation centre.

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

	17,575	22,686
	9,677	27,077
	0	0
	27,252	49,763

**SIGNIFICANT ACCOUNTING POLICIES**

**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 of 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.

**Leases (Continued)**

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 on a straight line basis over the lease term.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**17. JOINT ARRANGEMENTS**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current assets</b>		
Plant and equipment	7,737	7,737
Less: accumulated depreciation		
	<b>7,737</b>	<b>7,737</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**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 arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method.

**Interests in joint arrangements (Continued)**

Joint 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**18. RELATED PARTY TRANSACTIONS**

**Elected Members Remuneration**

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

	<b>2018 Actual</b>	<b>2018 Budget</b>	<b>2017 Actual</b>
	\$	\$	\$
Meeting Fees	22,050	24,000	26,150
President's allowance	5,000	5,000	5,000
Travelling expenses	4,038	7,266	5,785
Telecommunications allowance	0	0	721
	<b>31,088</b>	<b>36,266</b>	<b>37,656</b>

**Key Management Personnel (KMP) Compensation Disclosure**

The total of remuneration paid to KMP of the Shire during the year are as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Short-term employee benefits	338,825	371,664
Post-employment benefits	47,432	46,944
Other long-term benefits	40,218	33,140
	<b>426,474</b>	<b>451,748</b>

*Short-term employee benefits*

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

*Post-employment benefits*

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

*Other long-term benefits*

These amounts represent annual leave and long service benefits accruing during the year.

**Termination benefits**

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

**Transactions with related parties**

Transactions between related parties, and the Shire are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	<b>2018</b>	<b>2017</b>
	\$	\$
Sale of goods and services	89,938	
Purchase of goods and services	32,754	42,812

## 1. RELATED PARTY TRANSACTIONS

### Related Parties

The Shire's main related parties are as follows:

*i. Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

*ii. Entities subject to significant influence by the Shire*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

*iii. Joint operation*

The Shire has a one-third interest in an environmental health and building service. The interest in the joint operation entity is accounted for in these financial statements based on its share of assets & liabilities in respect of its interest in the joint operation. For details of interests held in joint operations refer to Note 17.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/16	Received <sup>(2)</sup> 2016/17	Expended <sup>(3)</sup> 2016/17	Closing Balance <sup>(1)</sup> 30/06/17	Received <sup>(2)</sup> 2017/18	Expended <sup>(3)</sup> 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>General purpose funding</b>							
WA Grants Commission		2,595,162	(2,595,162)	0	1,841,807	(1,841,807)	0
Wheatbelt Development Commission				0	31,500	(31,500)	0
<b>Law, order, public safety</b>							
DFES - ESL Operating Grant		24,793	(24,793)	0	29,281	(29,281)	0
<b>Education and welfare</b>							
DSS - Sustainability Funding		55,370	(55,370)	0	56,030	(56,030)	0
<b>Community amenities</b>							
Community Garden	20,000		(20,000)	0	0	0	0
<b>Recreation and culture</b>							
Swimming Pool Operations Grant		32,000	(32,000)	0	0	0	0
KidsSport	3,890		(265)	3,625	0	(3,625)	0
<b>Transport</b>							
Main Roads Direct Grant		191,941	(191,941)	0	111,986	(111,986)	0
<b>Economic services</b>							
Camp Kulin - Various Grant Funding		52,396	(52,396)	0	21,227	(21,227)	0
Department of Regional Development - CRC		119,276	(119,276)	0	139,913	(139,913)	0
<b>Total</b>	23,890	3,070,938	(3,091,203)	3,625	2,231,744	(2,235,369)	0

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in	Number	Value	Rate	Interim	Back	Total	2017	Budget	Budget	Budget	Budget
	\$	of		Revenue					Rates	Rates	Revenue	Rate
Differential general rate / general rate		Properties	\$	\$	\$	\$	\$		\$	\$	\$	\$
<b>Gross rental valuations</b>												
Residential	0.0958	134	1,189,500	114,005	70		114,075	117,623	114,005			114,005
Industrial	0.0958	14	121,836	11,677			11,677	11,542	11,677			11,677
Commercial	0.0958	28	447,448	42,885			42,885	43,984	42,885			42,885
Rural	0.0958	11	88,608	8,492			8,492	8,710	8,492			8,492
<b>Unimproved valuations</b>												
Rural	0.0101	347	174,647,500	1,766,280			1,766,280	1,715,950	1,765,548	500	(2,000)	1,764,048
<b>Sub-Total</b>		534	176,494,892	1,943,339	70	0	1,943,409	1,897,809	1,942,607	500	(2,000)	1,941,107
<b>Minimum payment</b>	<b>\$</b>											
<b>Gross rental valuations</b>												
Residential	418	10	6,260	4,176			4,176	3,667	4,176			4,176
Industrial	418	5	8,236	2,088			2,088	2,037	2,088			2,088
Commercial	418	4	8,600	1,670			1,670	1,630	1,670			1,670
Rural	418	6	10,945	2,506			2,506	2,444	2,506			2,506
<b>Unimproved valuations</b>												
Rural	418	11	265,687	4,594			4,594	4,074	4,594			4,594
Mining	418	9	61,826	3,341			3,341	2,444	3,341			3,341
<b>Sub-Total</b>		45	361,554	18,375	0	0	18,375	16,296	18,375	0	0	18,375
		579	176,856,446	1,961,714	70	0	1,961,784	1,914,105	1,960,982	500	(2,000)	1,959,482
Discounts/concessions (refer note 20(b))							(93,898)	(109,999)				(85,000)
<b>Total amount raised from general rate</b>							1,867,886	1,804,106				1,874,482
Ex-gratia rates							22,341	21,277				22,341
<b>Totals</b>							1,890,227	1,825,383				1,896,823

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates**

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

20. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs  
Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	2017	Circumstances in which Discount is Granted
Early Payment Discount	5%		81,194	85,000	80,274	Full payment received by the due date.
			81,194	85,000	80,274	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$	2017 \$
Kulin Retirement Homes	Waived	0.00%		9,269	0	20,643
Rates raised in error	Write-off	0.00%		3,369	2,000	8,993
Small balances	Write-off		<\$5	65	0	87
				12,704	2,000	29,724

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Kulin Retirement Homes	When requested by non-profit community groups		To ensure affordable housing is available to our senior citizens
Rates raised in error	When rates & penalties are raised incorrectly		To provide integrity to our rating function
Small balances	Balances of less than \$5		To ensure small balances do not incur penalty interest charges



20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	29-Sep-17	0	0.00%	11.00%
<b>Option Two</b>				
First instalment	29-Sep-17	0	0.00%	11.00%
Second instalment	1-Feb-18	7	5.50%	11.00%
<b>Option Three</b>				
First instalment	29-Sep-17	0	0.00%	11.00%
Second instalment	1-Dec-17	7	5.50%	11.00%
Third instalment	1-Feb-18	7	5.50%	11.00%
Fourth instalment	2-Apr-18	7	5.50%	11.00%

	2018		
	2018	Budget	2017
	\$	\$	\$
Interest on unpaid rates	10,684	8,000	11,926
Interest on instalment plan	1,538	1,000	1,315
Charges on instalment plan	595	700	763
	12,816	9,700	14,004

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**21. NET CURRENT ASSETS**

Composition of net current assets for  
the purposes of the Rate Setting Statement

	<b>2018 (30 June 2018 Carried Forward)</b>	<b>2018 (1 July 2017 Brought Forward)</b>	<b>2017 (30 June 2017 Carried Forward)</b>
	\$	\$	\$
<b>Surplus/(Deficit) 1 July 17 brought forward</b>	1,886,498	1,780,966	1,780,966
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	2,030,863	1,972,239	1,972,239
Restricted	2,307,958	2,034,158	2,034,158
Receivables			
Rates outstanding	102,162	84,408	84,408
Sundry debtors	63,131	223,901	223,901
GST receivable	21,212	28,829	28,829
Fuel Tax Credit Receivable	2,723	2,478	2,478
Prepaid Assets	0	45,485	45,485
Inventories			
Fuel & Materials	17,871	34,274	34,274
Freebairn Recreation Centre Stock	11,252	11,185	11,185
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(116,258)	(309,613)	(309,613)
Accrued salaries and wages	(114,055)	(89,883)	(89,883)
ATO liabilities	(53,791)	(90,443)	(90,443)
Current portion of long term borrowings	(85,177)	(111,326)	(111,326)
Provisions			
Provision for annual leave	(176,125)	(202,646)	(202,646)
Provision for long service leave	(136,627)	(96,704)	(96,704)
<b>Unadjusted net current assets</b>	<b>3,875,139</b>	<b>3,536,342</b>	<b>3,536,342</b>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(2,073,818)	(1,863,077)	(1,863,077)
Less: Unspent Grants		(3,625)	(3,625)
Add: Current portion of long term borrowings	85,177	111,326	111,326
<b>Adjusted net current assets - surplus/(deficit)</b>	<b>1,886,498</b>	<b>1,780,966</b>	<b>1,780,966</b>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**22. 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	4,338,821	4,002,773	4,338,821	4,002,773
Receivables*	170,293	358,794	170,293	358,794
	4,509,115	4,361,567	4,509,114	4,361,567
<b>Financial liabilities</b>				
Payables*	230,313	399,496	230,313	399,496
Borrowings	1,336,675	1,448,538	1,328,426	1,394,106
	1,566,988	1,848,034	1,558,739	1,793,602

\* Amount excludes GST receivable/payable to the ATO (statutory receivable/payable)

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

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

**(a) Cash and Cash Equivalents**

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. 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.

Cash is 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.

	<b>2018</b>	<b>2017</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash	<b>\$</b>	<b>\$</b>
- Equity	43,388	40,028
- Statement of Comprehensive Income	43,388	40,028

**Notes:**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**22. 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:

	<b>2018</b>	<b>2017</b>
	%	%
Percentage of rates and annual charges		
- Current	57%	39%
- Overdue	43%	61%
Percentage of other receivables		
- Current	77%	27%
- Overdue	23%	73%

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and 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 Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	230,313	0	0	230,313	230,313
Borrowings	125,449	501,797	1,003,595	1,630,841	1,336,675
	355,762	501,797	1,003,595	1,861,154	1,566,988
<b>2017</b>					
Payables	399,496	0	0	399,496	399,496
Borrowings	155,366	501,798	1,129,044	1,786,209	1,448,538
	554,862	501,798	1,129,044	2,185,705	1,848,034

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:

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	0	0	0	0	0	1,336,137	1,336,137	3.06%
Weighted average Effective interest rate						3.06%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	28,696	0	0	0	0	1,419,842	1,448,538	3.50%
Weighted average Effective interest rate	4.38%	3.05%	3.05%	3.05%	3.05%	3.06%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**23. 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:

	<b>1 July 2017</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2018</b>
	\$	\$	\$	\$
Housing Bonds	21,840	7,640	(4,880)	24,600
Rates Paid in Advance	17,851	1,590	(3,956)	15,485
Health Centre	2,342		(165)	2,177
Landcare Group	1,573			1,573
Trip Fund	12,585	12,000	(4,945)	19,640
Bush Fire	81			81
Kulin Softball Club	685			685
Camp Hart	728	73		801
FRC Court Resurfacing	1,500			1,500
Camp Kulin	1,000			1,000
Standpipe Cards	80			80
St John Ambulance	1,500	273		1,773
Kulin Hockey Club	0	12,557		12,557
	<b>61,765</b>	<b>34,133</b>	<b>(13,945)</b>	<b>81,953</b>

## 24. 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:

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable (1)</b>	<b>Impact</b>
(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 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the 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 when AASB 16 is adopted.  Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

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



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable (1)</b>	<b>Impact</b>
(iv)	AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul> <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

**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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

(i)	AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities		1 January 2017
(ii)	AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities		1 January 2017

## 25. OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) 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.

### b) Current and non-current classification

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 or non-current based on the Shire's intentions to release for sale.

### c) Rounding off figures

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

### d) 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 statements that has a material effect on the statement of financial position, 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.

### e) 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.

### f) 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.

### g) Fair value of assets and liabilities

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.

### h) 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.

#### 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 the service capacity of an asset.

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.

### i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**26. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME</b>	<b>OBJECTIVE</b>	<b>ACTIVITIES</b>
<b>GOVERNANCE</b>	To provide a decision making process for the efficient allocation of scarce resources.	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.
<b>GENERAL PURPOSE FUNDING</b>	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b>	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<b>HEALTH</b>	To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
<b>EDUCATION AND WELFARE</b>	To provide services to disadvantaged persons, the elderly, children and youth	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.
<b>HOUSING</b>	To provide and maintain general and elderly residents housing.	Provision and maintenance of elderly residents housing.
<b>COMMUNITY AMENITIES</b>	To provide services required by the community.	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.
<b>RECREATION AND CULTURE</b>	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	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.
<b>TRANSPORT</b>	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<b>ECONOMIC SERVICES</b>	To help promote the shire and its economic wellbeing.	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.
<b>OTHER PROPERTY AND SERVICES</b>	To monitor and control council's overheads operating accounts.	Private works operation, plant repair and operation costs and engineering operation costs.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**

**27. FINANCIAL RATIOS**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio	3.30	3.84	5.84
Asset consumption ratio	0.70	0.68	0.68
Asset renewal funding ratio	0.96	0.82	0.79
Asset sustainability ratio	0.74	1.38	1.26
Debt service cover ratio	6.84	8.66	10.02
Operating surplus ratio	(0.46)	(0.13)	(0.39)
Own source revenue coverage ratio	0.48	0.44	0.49

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

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	950,461	907,285	
Amount of Financial Assistance Grant received in prior year relating to current year.	907,285		850,945
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio	3.24	2.39	2.71
Debt service cover ratio	6.58	5.38	0.14
Operating surplus ratio	(0.47)	(0.41)	15.99

## INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Kulin

### Report on the Audit of the Financial Report

#### **Qualified Opinion**

I have audited the annual financial report of the Shire of Kulin which comprises the Statement of Financial Position as at 30 June 2018, 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 then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the annual financial report of the Shire of Kulin:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### **Basis for Qualified Opinion**

##### **Cash Income**

Cash from Kulin Bush Races are a material source of revenue for the Shire. The Shire has determined that it is impracticable to maintain an effective system of internal control over cash receipts until their initial entry in the accounting records. Accordingly our audit in relation to cash income was limited to the amounts recorded.

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

##### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

***Auditor's Responsibility for the Audit of the Financial Report***

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996* I report that:

- (i) In my opinion, the following material matter indicate significant adverse trend in the financial position of the Shire:
  - a. The Operating surplus ratio has been below the Department of Local Government, Sports and Cultural Industries standard for the past three years. The financial ratios are reported in Note 27 of the financial report.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law was identified during the course of my audit:
  - a. Accounting journal entries were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved with evidence of this review being retained.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Kulin for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



LEANNE K OLIVER RCA  
DIRECTOR  
BYFIELDS BUSINESS ADVISERS  
BELMONT, WESTERN AUSTRALIA  
18 APRIL 2019