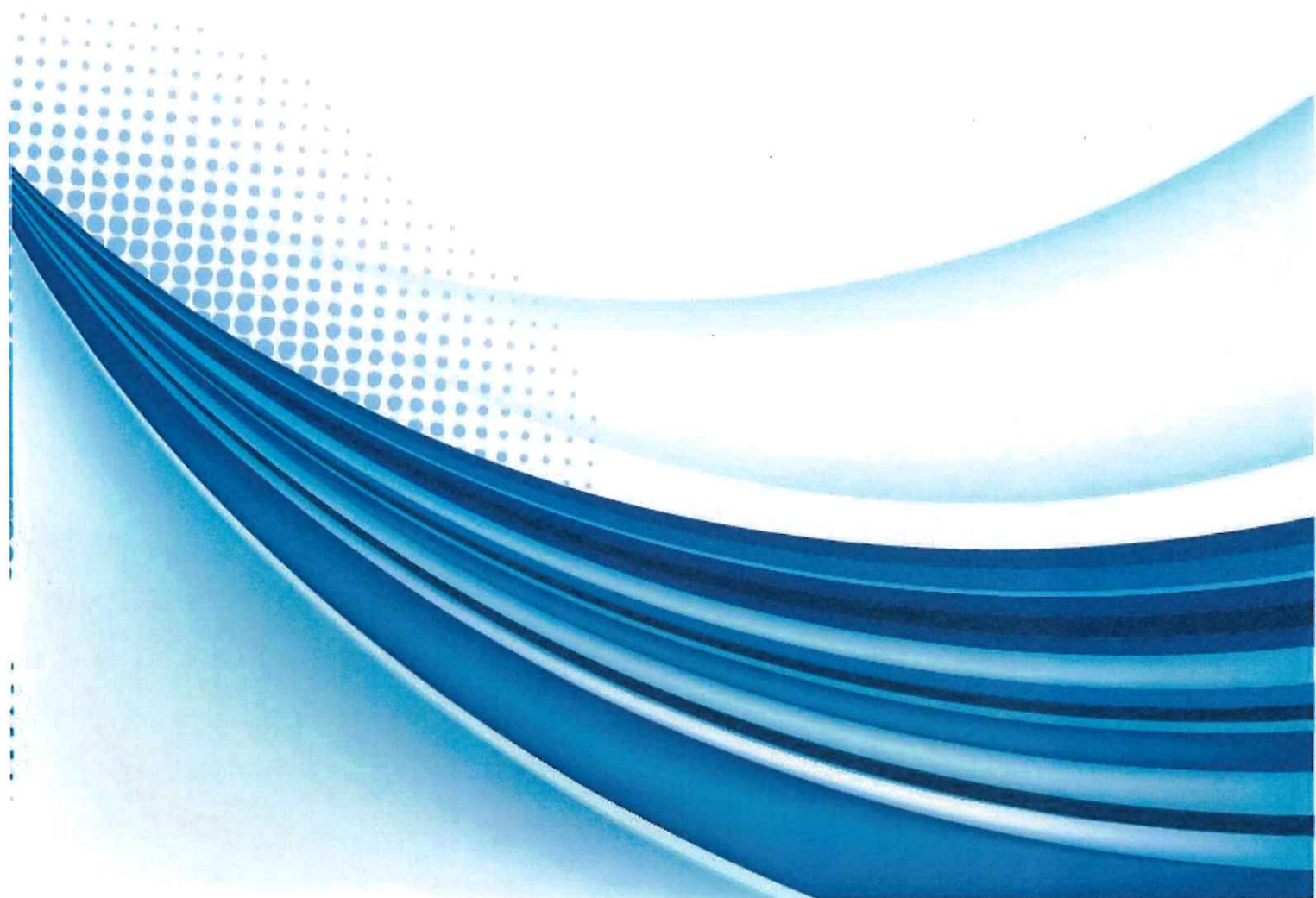


Shire of Kulin

2016/2017 Annual Report



Shire of Kulin

Contact Information



Shire of Kulin Administration Offices and Community
Resource Centre

38 Johnston Street, Kulin WA 6365

(P) 08 9880 1204

(F) 08 9880 1221

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

Kulin Childcare Centre

5 Gordon Street, Kulin WA 6365

(P) 08 9880 1636

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

Kulin Recreation & Aquatic Centre

Kulin-Lake Grace Road, Kulin WA 6365

(P) 08 9880 1000 (Rec)

(P) 08 9880 1222 (Pool)

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

Camp Kulin

Johnston Street, Kulin WA 6365

(P) 08 9880 2000

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

Works & Services Depot

Beard Street, Kulin WA 6365

(P) 08 9880 1218

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



Shire of Kulin

Councillor & Staff Information



Councillors

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

Staff

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

Shire of Kulin

Shire Presidents Report



I wish to congratulate the Shire of Kulin on a productive and successful year. We sometimes forget to stop and reflect on the goals completed while continuously planning for the future, so well done to all staff and councillors.

Our capital expenditure budget for the year was just under \$4.5m and some significant projects were completed throughout the year. We spent \$2m on the construction and renewal of our roads, \$700,000 on the installation of two new staff residences and also replaced \$1m of plant and equipment including a new grader, backhoe, skid steer loader, prime mover and dual cab light truck.

Our long-standing and valued Works Supervisor Len Hobson resigned in October and finished in June 2017. A huge thankyou to Len for his long service and commitment to Kulin Shire. Judd Hobson was appointed in November and commenced employment June 2017.

Highlights for the Shire have been:

- Visit from the Federal Minister for Transport – saw Len and the works gang onsite at the bitumen laying along Yealering Road. He also visited our school as part of the Elephant in the Wheatbelt promotion.
- We hosted a very successful Australia Day ceremony and awards at our Aquatic Centre on 26th January 2017. 4 awards were presented on the day: Active Citizenship, Citizen of the Year (Senior), Citizen of the Year (Youth) and Citizen of the year (Open). The following were our winners:

Active Citizenship

The production of 'And Tell Mum' during the Kulin DHS centenary. 'And Tell Mum' was a play which retold the stories and experiences of the men and women from Kulin who found themselves having to come to terms with the outbreak of world war one.

Citizen of the Year (Senior)

Neville 'Tommy' Hebbard and accepted by his son Michael. Tommy's legacy of generosity, compassion and fun was matched only by his infinite work ethic that saw him undertake so many community projects and support people when they needed it most.

Citizen of the Year (Youth)

Tom Bennier Tom has been a volunteer for Camp Kulin scholarship camps as a camp counsellor. The camps work with children aged 8-12, including those who have been affected by domestic violence and sexual assault.

Citizen of the Year (Open)

Among the three nominees Sharyn was chosen as the worthy winner – congratulations and well done to Sharyn and the supporting committee. A big thankyou also to the Lions for cooking breakfast, and to Kate, Gemma and Simone for helping to organise this great event.

- In April Tanya Dupagne won WA Rural Woman of the Year. Congratulations to Tanya, a wonderful acknowledgement of the work she puts into Camp Kulin and another positive tick for the Kulin community.



Shire of Kulin

Shire Presidents Report



During the year I went to Perth to hear the new Local Government Minister David Templeman speak after the Labor Government was voted in. The talk was informative and we as a Shire hope to continue good relations with him and his department.

New Phone Towers within our Shire – we have one erected at Holt Rock and an upgrade completed on the Pingaring tower, and construction on the newly approved West Kulin tower is about to commence. Thankyou to all those who have lobbied hard over the years to achieve this – the improved service is going to be fantastic for our district, and for our businesses and Emergency Services.

Congratulations to Simone and Jocelyn of the Freebairn Recreation Centre who attended the Clubs WA awards this year. The Freebairn Recreation Centre was nominated for three awards and Jocelyn was nominated for Volunteer of the Year for her volunteer work as part of her position on the FRC advisory committee.

The Colts Football Carnival hosted in Kulin was again a great success. Well done to everyone involved and especially the organising committee and the KKFC volunteers.

With the floods that occurred during the year and so much damage done around the state, I must highlight the roads of Kulin Shire generally stood up very well – another big tick for the quality and work ethic of our Shire gang.

Several send-offs were held for Len Hobson – Council held one, the Gang held another and then a public get-together saluted Len's long service. Following that, his peers also acknowledged Len at a Works Managers Convention in Bunbury. Enjoy your retirement Len!

Our two other high profile events (Kulin Bush Races & Blazing Swan) were great weekends. Kulin has a well-earned reputation for volunteering, so a big thanks to all those involved in these and other events.

Thankyou to Noel, who has taken the helm as CEO and managed the transition calmly and efficiently.

To our hard-working staff - outside staff and Admin – thankyou for all your efforts, which do not go unnoticed and help contribute to the success of our town and Shire.

It's been a good year of consolidation and I look forward to seeing our Shire continue to build on that foundation.

Shire of Kulin

Chief Executive Officer Report



My report highlights the activities of the Kulin Shire Council administration during the 2016/17 Financial Year and without doubt this has been a year of review and renewal. As the first full year of my appointment, it was critical to assess each of the administrative workings, practices and procedures to ensure they met compliance and standards. Once triggered, this review covered many documents and administrative practice.

POLICY MANUAL REVIEW COMMENCES COMPLETE OVERHAUL

The normal annual policy review in June 2016, commenced a planned complete overhaul/review of all Shire policy, procedures and operational guides and manuals. This was finally completed and adopted by Council in June 2017. The now adopted policy manual recognises primary and secondary documents used by the Shire administration. Those documents that received complete overhauls in 2016 are in blue.

PRIMARY DOCUMENTS - SHIRE OF KULIN

Shire of Kulin Policy Manual 2017 - adopted 14th June 2017.
Shire of Kulin Administrative Procedures & Operational Guidelines (APOG) Manual 14th June 2017.
Shire of Kulin Community Strategic Plan 2017 ed.
Shire of Kulin Corporate Business Plan 2017 ed.
Shire of Kulin Employee Safety Manual – Policies and Procedures (ed. Nov 2016)
Shire of Kulin Employee Induction Manual (ed. Aug 2016)

SECONDARY DOCUMENTS – SHIRE OF KULIN

Shire of Kulin Workforce Plan 2017 ed.
Shire of Kulin Asset Management Plan 2017 ed.
Shire of Kulin Long Term Financial Plan 2017 ed.
Shire of Kulin Contracts and Legal Documents Register
Shire of Kulin Complaints Register
Shire of Kulin Corporate Style Guide
Shire of Kulin Delegation Register June 2017
Shire of Kulin Disability Access and Inclusion Plan (DIAP) 2014-2019;
Shire of Kulin Equal Employment Opportunity Plan (ed.2011);
Shire of Kulin Freedom of Information Statement 2017;
Shire of Kulin Gifts Register
Shire of Kulin Incident Investigation Procedure 2017;
Shire of Kulin Induction and Training Procedure 2017;
Shire of Kulin – Kulin Aquatic Centre Operations Manual for Pool Plant, Equipment & Slide (ed. May 2014);
Shire of Kulin Management Orders (Landholdings) & Vesting Orders Register
Shire of Kulin Pecuniary Interest Register
Shire of Kulin Records Management Manual
Shire of Kulin Safe Work Method Statements (as listed) 108, 109, 110.
Shire of Kulin Town Planning Scheme No 2 2017 ed.

Shire staff now utilise the documents on a daily basis.

COMPLIANCE REPORTING

During 2016/17 the Shire has transitioned to a significantly more rigorous compliance regime via the adoption and use of a compliance calendar and compliance reporting to Council, focussing on administrative and financial compliance. A report detailing Delegations exercised each month is also provided to Council.

Shire of Kulin

Chief Executive Officer Report



This shift in rigour has provided staff with a degree of certainty that matters of compliance are actioned, completed and finalised when needed and not overlooked. The ever increasing compliance workload was viewed as the highest risk factor facing Kulin during my appointment discussions, I can now report that with the extra effort of staff, Kulin Shire is currently dealing with this risk well and this has been reflected in our Audit compliance.

STRATEGIC PLANNING

The four yearly reviews of the Community Strategic Plan and the Corporate Business Plan also fell in this year. I thank the community for its participation in the community workshops and surveys undertaken in February 2017, the information aided staff in producing a very concise and accurate reflection of the "plans" we discussed. The high level of participation of Kulin would embarrass most other local authorities, and I and staff appreciated the constructive manner in which the review was undertaken. Already Council has commenced actioning numerous suggestions/plans for the future.

TOWN PLANNING SCHEME CONSOLIDATION

Commenced in 2015/16, this year saw the completion of the TPS2 consolidation and incorporation of residential Planning Codes etc. and final approval by Council in December 2016. The long delays in obtaining final approval from the Planning Commission have now been completed, adoption was finalised on 3rd October 2017.

LOCAL LAWS

Local Laws adopted during the year were;
Health Local Law 2016; and
Animals, Environment and Nuisance Local Law 2016

VOLUNTEER COMMUNITY SERVICES

The Shire supports numerous community services in Kulin each year, but two items are brought to your attention. In 2016 the State Emergency Service (SES) ceased to operate in Kulin and all remaining assets were allocated elsewhere. Declining membership and demand for service resulted in the closure of the Kulin SES Unit.

Shire staff have completed the reorganisation of Bushfire Brigades following a call by Fire Control Officers for a review in Sept 2016. This change included a complete overhaul of the brigade districts, membership, training, equipment and insurances. Well done to all those who have assisted Shire in this process, it has not been without many hours of organising.

NATIONAL COMPETITION POLICY

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

Competitive Neutrality

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

Shire of Kulin

Chief Executive Officer Report



Legislative Review

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

Structural Reform

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

LOCAL PROCUREMENT POLICY

The Shire of Kulin during its Policy review in 2016/17 decided to adopt a policy relating to preferential treatment to local suppliers. The policy was adopted in 2016/17, but due to advertising requirements does not officially take effect until 2017/18. Details of the policy can be viewed on the Shire website.

DISABILITY SERVICES PLAN

Council continues to remain committed to the Disability Services Plan and will undertake improvements to ensure ongoing access to Council Property and Services for people with disabilities as funds become available. The Disability Service Plan was reviewed during 2016/17.

FREEDOM OF INFORMATION

The Shire of Kulin will provide information to people requesting it from Council. Should a request not be met satisfactorily, then a Freedom of Information Application can be lodged with Council. During the year ended 30 June 2016, no Freedom of Information Applications were received. The Freedom of Information Statement was reviewed during 2016/17.

RECORD KEEPING PLAN

The Shire of Kulin is committed to ensure that all staff, contractors and elected members maintain compliant record keeping practices. Accordingly Council continues to maintain a record keeping system to be fully compliant with the relevant legislation.

As I reflect on the workloads of 2016/17, these are but comments on the additional activities completed in the year. Normal workloads and services continue to take our daily attention as well.

I acknowledge and commend the Shire staff as a group for their dedication to completing these tasks and their willingness to accept that change was necessary. All have been affected by the programs, projects and achievements detailed above, either in a workload sense or in learning.

My gratitude is to them collectively.

Noel Mason
Chief Executive Officer

Shire of Kulin

Strategic Community Plan



Social Goals

1.1 A strong and supportive community

- A recognisable identity
- An inclusive, resilient and welcoming Shire

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

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

1.3 Accessible infrastructure and services meeting changing community needs

- The community and recreation services and facilities meet the needs of the growing and active communities throughout the Shire
- The community embraces and provides for older residents
- Health, education and family support services that are accessible and meet community needs

1.4 A liveable and safe community

- Facilitate diverse, inclusive housing options
- A high standard of health services to address the needs of all sectors of the community
- Provide a variety of sport, recreation and leisure services and facilities for all life stages
- People are safe in their homes and in public
- Opportunities for development and participation of young people (eg Youth Services Group)

Status

- Roads continue to be the number one priority for the Shire of Kulin. Providing well maintained and constantly renewed road infrastructure is a necessity to ensure that people of the Kulin community can travel safely around the area.
- Council continue to provide for the maintenance and replacement of our sporting facilities. This included our Recreation Centre, Bowling Greens, Tennis and Golf Club and our Aquatic Centre. In the 2016/17 financial year, and in conjunction with Royalties for Regions funding, we were able to complete a major renovation of our aquatic centre slide.
- The Shire of Kulin provides housing for staff, residents and in joint venture with the Department of Housing. We currently provide 9 houses to residents who do not work for the Shire of Kulin.
- The Shire of Kulin are committed to communicating Council activities to the community. We have a public email service which is used to communicate urgent messages to the community, we produce a fortnightly news publication which is provided to the community at no charge and we maintain a website which is updated daily. Branding work has also been completed to ensure all Shire communications are produced in a consistent manner.
- In order to recognise our volunteers and those who have contributed greatly to our community the Shire of Kulin have organised new events throughout the year. We held a Thank a Volunteer Day and also organised Australia Day Awards during the Australia Day weekend.
- We continue to provide ongoing support to local community events, in particular our two iconic events the Kulin Bush Races (October) and Blazing Swan (March).

Shire of Kulin

Strategic Community Plan



Economic Goals

2.1 A thriving, diverse and growing economy

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

2.2 A positive visitor experience

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

2.3 Improved access to education, training and leadership development

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

Status

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

Shire of Kulin

Strategic Community Plan



Environmental Goals

3.1 An environmentally aware Shire

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

3.2 A protected and valued natural environment

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

Status

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

Civic Leadership Goals

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

- Develop leadership skills and behaviours that enhance the knowledge, skills and experience of the Shire staff and Council
- Manage the organisation in a responsible, accountable and consultative manner
- Deliver services that meet the current and future needs

Status

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

SHIRE OF KULIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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Principal place of business:
38 Johnston Street Kulin WA 6365

**SHIRE OF KULIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 8th Day of November 2017



Noel Mason
Chief Executive Officer

SHIRE OF KULIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	1,825,384	1,849,403	1,768,967
Operating grants, subsidies and contributions	30	3,409,756	2,246,409	1,713,753
Fees and charges	29	1,284,977	1,674,173	1,653,400
Interest earnings	2(a)	84,619	76,383	71,208
Other revenue	2(a)	284,801	267,800	321,663
		<u>6,889,537</u>	<u>6,114,168</u>	<u>5,528,993</u>
Expenses				
Employee costs		(2,017,572)	(2,352,620)	(1,874,121)
Materials and contracts		(1,706,930)	(1,683,269)	(1,985,846)
Utility charges		(270,290)	(259,846)	(286,589)
Depreciation on non-current assets	2(a)	(2,749,106)	(2,909,807)	(2,766,130)
Interest expenses	2(a)	(62,923)	(52,121)	(17,860)
Insurance expenses		(236,882)	(233,372)	(233,256)
Other expenditure		(226,704)	(250,900)	0
		<u>(7,270,407)</u>	<u>(7,741,935)</u>	<u>(7,163,802)</u>
		(380,870)	(1,627,767)	(1,634,810)
Non-operating grants, subsidies and contributions	30	1,872,713	1,917,029	1,504,999
Profit on asset disposals	21	5,469	20,663	10,562
(Loss) on asset disposals	21	(39,857)	(43,816)	(56,841)
Fair value adjustments to financial assets at fair value through profit or loss	3	0	0	324,531
Net result		<u>1,457,455</u>	<u>266,109</u>	<u>148,441</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	3,685,469	0	501,750
Total other comprehensive income		<u>3,685,469</u>	<u>0</u>	<u>501,750</u>
Total comprehensive income		<u>5,142,925</u>	<u>266,109</u>	<u>650,192</u>

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

SHIRE OF KULIN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		110,048	32,327	381,825
General purpose funding		4,623,013	3,629,674	2,775,006
Law, order, public safety		32,366	45,745	51,246
Health		225	0	55
Education and welfare		190,672	250,042	232,882
Housing		148,189	151,677	145,965
Community amenities		87,825	82,702	80,991
Recreation and culture		231,440	277,970	275,100
Transport		189,609	95,378	489,499
Economic services		1,259,839	1,462,549	1,308,896
Other property and services		120,908	106,766	202,297
		<u>6,994,134</u>	<u>6,134,830</u>	<u>5,943,762</u>
Expenses	2(a)			
Governance		(287,168)	(256,412)	(556,690)
General purpose funding		(160,137)	(92,284)	(140,276)
Law, order, public safety		(130,140)	(158,166)	(116,504)
Health		(90,539)	(131,412)	(81,704)
Education and welfare		(209,330)	(304,392)	(251,648)
Housing		(250,774)	(264,019)	(141,640)
Community amenities		(308,544)	(346,652)	(319,110)
Recreation and culture		(1,120,976)	(1,245,640)	(1,073,217)
Transport		(3,092,301)	(3,156,200)	(2,948,879)
Economic services		(1,587,675)	(1,765,972)	(1,694,313)
Other property and services		(74,497)	(64,603)	87,802
		<u>(7,312,081)</u>	<u>(7,785,752)</u>	<u>(7,236,180)</u>
Finance costs	2(a)			
Governance		(55,624)	0	0
Housing		(7,299)	0	(17,860)
		<u>(62,923)</u>	<u>0</u>	<u>(17,860)</u>
		<u>(380,870)</u>	<u>(1,650,922)</u>	<u>(1,310,278)</u>
Non-operating grants, subsidies and contributions	30	1,872,713	1,917,029	1,504,999
Profit on disposal of assets	21	5,469	5,850	10,562
(Loss) on disposal of assets	21	(39,857)	(104,003)	(56,841)
Net result		<u>1,457,456</u>	<u>167,954</u>	<u>148,442</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	3,685,469	0	501,750
Total other comprehensive income		<u>3,685,469</u>	<u>0</u>	<u>501,750</u>
Total comprehensive income		<u>5,142,925</u>	<u>167,954</u>	<u>650,192</u>

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

SHIRE OF KULIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	4,002,773	3,442,592
Trade and other receivables	4	385,101	143,466
Inventories	5	45,459	24,344
TOTAL CURRENT ASSETS		<u>4,433,333</u>	<u>3,610,402</u>
NON-CURRENT ASSETS			
Other receivables	4	5,000	5,000
Property, plant and equipment	6	29,251,272	24,036,867
Infrastructure	7	51,272,648	52,120,401
TOTAL NON-CURRENT ASSETS		<u>80,528,920</u>	<u>76,162,269</u>
TOTAL ASSETS		<u>84,962,253</u>	<u>79,772,671</u>
CURRENT LIABILITIES			
Trade and other payables	8	489,939	256,257
Current portion of long term borrowings	9	111,326	214,552
Provisions	10	299,350	293,804
TOTAL CURRENT LIABILITIES		<u>900,615</u>	<u>764,613</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	1,337,212	1,447,957
Provisions	10	64,820	43,416
TOTAL NON-CURRENT LIABILITIES		<u>1,402,032</u>	<u>1,491,373</u>
TOTAL LIABILITIES		<u>2,302,647</u>	<u>2,255,986</u>
NET ASSETS		<u>82,659,606</u>	<u>77,516,685</u>
EQUITY			
Retained surplus		42,161,400	40,342,921
Reserves - cash backed	12	1,863,078	2,224,101
Revaluation surplus	13	38,635,130	34,949,662
TOTAL EQUITY		<u>82,659,607</u>	<u>77,516,684</u>

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

SHIRE OF KULIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		41,383,170	1,035,410	34,772,443	77,191,023
Comprehensive income					
Net result		148,442	0	0	148,442
Changes on revaluation of assets	13	0	0	501,750	501,750
Total comprehensive income		148,442	0	501,750	650,192
Transfers from/(to) reserves		(1,188,691)	1,188,691	-324,532	(324,532)
Balance as at 30 June 2016		40,342,921	2,224,101	34,949,661	77,516,683
Comprehensive income					
Net result		1,457,456	0	0	1,457,456
Changes on revaluation of assets	13	0	0	3,685,469	3,685,469
Total comprehensive income		1,457,456	0	3,685,469	5,142,925
Transfers from/(to) reserves		361,023	(361,023)	0	0
Balance as at 30 June 2017		<u>42,161,400</u>	<u>1,863,078</u>	<u>38,635,130</u>	<u>82,659,608</u>

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

SHIRE OF KULIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,827,178	1,889,403	1,800,787
Operating grants, subsidies and contributions		3,206,668	2,256,409	1,722,852
Fees and charges		1,284,977	1,674,173	1,653,400
Interest earnings		84,619	76,383	71,208
Goods and services tax		0	10,000	0
Other revenue		284,801	267,800	321,663
		<u>6,688,243</u>	<u>6,174,168</u>	<u>5,569,910</u>
Payments				
Employee costs		(1,955,291)	(2,307,620)	(1,949,397)
Materials and contracts		(1,575,179)	(1,665,269)	(2,009,817)
Utility charges		(270,290)	(259,846)	(286,589)
Interest expenses		(62,923)	(52,121)	(17,860)
Insurance expenses		(236,882)	(233,372)	(233,256)
Goods and services tax		5,144	0	6,691
Other expenditure		(222,115)	(250,900)	0
		<u>(4,317,536)</u>	<u>(4,769,128)</u>	<u>(4,490,228)</u>
Net cash provided by (used in)				
operating activities	14(b)	<u>2,370,708</u>	<u>1,405,040</u>	<u>1,079,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,806,954)	(2,160,860)	(1,415,288)
Payments for construction of infrastructure		(1,998,893)	(1,988,948)	(2,293,000)
Non-operating grants, subsidies and contributions		1,872,713	1,917,029	1,504,999
Proceeds from sale of fixed assets		336,579	280,000	199,992
Net cash provided by (used in)				
investment activities		<u>(1,596,555)</u>	<u>(1,952,779)</u>	<u>(2,003,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(213,971)	(214,552)	(124,645)
Proceeds from self supporting loans		0	0	(112)
Proceeds from new debentures		0	0	1,500,000
Net cash provided by (used In)				
financing activities		<u>(213,971)</u>	<u>(214,552)</u>	<u>1,375,243</u>
Net increase (decrease) in cash held		560,182	(762,291)	451,627
Cash at beginning of year		3,442,592	3,441,143	2,990,965
Cash and cash equivalents at the end of the year	14(a)	<u><u>4,002,774</u></u>	<u><u>2,678,852</u></u>	<u><u>3,442,592</u></u>

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

SHIRE OF KULIN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		836,239	718,682	1,435,862
		<u>836,239</u>	<u>718,682</u>	<u>1,435,862</u>
Revenue from operating activities (excluding rates)				
Governance		110,116	32,327	386,521
General purpose funding		2,818,906	1,801,548	1,026,303
Law, order, public safety		32,366	45,745	51,246
Health		225	0	55
Education and welfare		190,672	250,042	232,882
Housing		148,189	151,677	145,965
Community amenities		87,825	82,702	80,991
Recreation and culture		231,440	277,970	275,100
Transport		195,010	95,378	495,365
Economic services		1,259,839	1,462,549	1,308,896
Other property and services		120,908	106,766	202,297
		<u>5,195,496</u>	<u>4,306,704</u>	<u>4,205,621</u>
Expenditure from operating activities				
Governance		(344,348)	(256,412)	(590,877)
General purpose funding		(160,137)	(92,284)	(140,276)
Law, order, public safety		(130,140)	(158,166)	(116,504)
Health		(90,539)	(131,412)	(81,704)
Education and welfare		(209,330)	(304,392)	(251,648)
Housing		(258,073)	(264,019)	(159,500)
Community amenities		(308,544)	(346,652)	(319,110)
Recreation and culture		(1,120,976)	(1,245,640)	(1,073,217)
Transport		(3,130,601)	(3,156,200)	(2,971,533)
Economic services		(1,587,675)	(1,765,972)	(1,694,313)
Other property and services		(74,497)	(64,603)	87,802
		<u>(7,414,860)</u>	<u>(7,785,752)</u>	<u>(7,310,880)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(5,469)	(20,663)	(10,562)
Loss on disposal of assets	21	39,857	43,816	56,841
Change in classification of non-current asset		4,588	0	0
Movement in employee benefit provisions (non-current)		21,404	0	(76,597)
Depreciation and amortisation on assets	2(a)	2,749,106	2,909,807	2,766,131
Amount attributable to operating activities		<u>1,426,361</u>	<u>172,594</u>	<u>1,066,416</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,872,713	1,917,029	1,504,999
Proceeds from disposal of assets	21	336,579	280,000	199,992
Purchase of property, plant and equipment	6(b)	(1,806,955)	(2,160,860)	(1,415,288)
Purchase and construction of infrastructure	7(b)	(1,998,894)	(1,988,948)	(2,293,000)
Amount attributable to investing activities		<u>(1,596,556)</u>	<u>(1,952,779)</u>	<u>(2,003,297)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(213,971)	(214,552)	(124,645)
Proceeds from new debentures	22(a)	0	0	1,500,000
Proceeds from self supporting loans		0	0	(112)
Transfers to reserves (restricted assets)	12	(196,891)	(382,387)	(1,587,845)
Transfers from reserves (restricted assets)	12	557,914	550,000	399,154
Amount attributable to financing activities		<u>147,052</u>	<u>(46,939)</u>	<u>186,552</u>
Surplus(deficiency) before general rates		<u>(23,143)</u>	<u>(1,827,124)</u>	<u>(750,329)</u>
Total amount raised from general rates	23	<u>1,804,107</u>	<u>1,828,126</u>	<u>1,748,703</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>1,780,964</u></u>	<u><u>1,002</u></u>	<u><u>998,374</u></u>

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

(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) Cash and Cash Equivalents

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Inventories

General

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

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

Land held for sale

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

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

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

(e) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

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.

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Depreciation

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

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

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

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

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

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

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(h) Impairment of Assets

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

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

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

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

(i) Trade and Other Payables

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(k) 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.

(l) 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.

(m) Leases

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

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

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment in Associates

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

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

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

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

(o) Interests in Joint Arrangements

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

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

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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) Superannuation

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 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 upon 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 onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. 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.

SHIRE OF KULIN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	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"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <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.

(w) 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 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

**SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
General purpose funding							
WA Grants Commission	0	842,075	(842,075)	0	2,595,162	(2,595,162)	0
Law, order, public safety							
DFES - ESL Operating Grant	0	40,888	(40,888)	0	24,793	(24,793)	0
Education and welfare							
DSS - Sustainability Funding	0	76,645	(76,645)	0	55,370	(55,370)	0
Community amenities							
Community Garden	20,000	0	0	20,000		(20,000)	0
Transfer Station Grant	0	25,594	(25,594)	0			0
Recreation and culture							
Memorial Hall Grant	13,455	11,317	(24,772)	0			0
Swimming Pool Operations Grant	0	32,000	(32,000)	0	32,000	(32,000)	0
KidsSport	0	10,000	(6,110)	3,890		(265)	3,625
Transport							
Regional Road Group	0	420,695	(420,695)	0			0
Main Roads Direct Grant	0	175,600	(175,600)	0	191,941	(191,941)	0
Roads to Recovery	0	1,097,696	(1,097,696)	0			0
Black Spot	0	270,112	(270,112)	0			0
Economic services							
Camp Kulin - Various Grant Funding	75,923	106,442	(182,365)	0	52,396	(52,396)	0
Department of Regional Development - CRC	0	116,503	(116,503)	0	119,276	(119,276)	0
Department of Water (Milestone One)	0	67,245	(67,245)	0			0
Total	<u>109,378</u>	<u>3,292,812</u>	<u>(3,378,299)</u>	<u>23,891</u>	<u>3,070,937</u>	<u>(3,091,202)</u>	<u>3,626</u>

Notes:

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads & Drainage	45,241,956	1,998,694					(1,607,069)		45,722,653
Infrastructure - Footpaths & Kerbing	614,452						(40,418)		574,034
Infrastructure - Recreation	5,268,771			(1,028,068)			(146,413)		4,005,415
Infrastructure - Other	995,223	200					(24,677)		970,546
Total Infrastructure	52,120,402	1,998,894	0	(1,028,068)	0	0	(1,818,577)	0	51,272,648

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,972,239	1,055,750
Restricted		<u>2,030,534</u>	<u>2,386,842</u>
		<u><u>4,002,773</u></u>	<u><u>3,442,592</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Freebairn Sportsperson Reserve	12	11,847	11,561
Freebairn Recreation Centre Reserve	12	169,983	141,476
Plant Reserve	12	482,548	470,876
Leave Reserve	12	274,566	243,529
Building Reserve	12	477,095	1,010,293
Admin Equipment Reserve	12	71,735	70,000
Natural Disaster Reserve	12	134,820	131,558
Joint Venture Housing Reserve	12	90,697	88,503
FRC Surface Replacement Reserve	12	124,786	48,582
Town Planning Reserve	12	0	7,723
Camp Kulin Reserve	12	25,000	0
Kulin Bush Races	12	167,456	162,741
Unspent grants	2(c)	<u>3,626</u>	<u>23,891</u>
		<u><u>2,034,159</u></u>	<u><u>2,410,733</u></u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	84,408	86,202
Sundry debtors	223,901	19,935
GST receivable	28,829	33,973
Fuel Tax Credit Receivable	2,478	3,356
Prepaid Assets	45,485	0
	<u>385,101</u>	<u>143,466</u>
Non-current		
Bendigo Bank Shares	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

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

Rates outstanding	<u>84,408</u>	<u>86,202</u>
Sundry debtors	<u>223,901</u>	<u>19,935</u>

5. INVENTORIES

Current		
Fuel & Materials	34,274	11,263
Freebairn Recreation Centre Stock	11,185	13,081
	<u>45,459</u>	<u>24,344</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
- Independent valuation 2014	0	16,928,001
- Independent valuation 2017	23,811,587	0
- Additions after valuation - cost	0	1,316,736
- Accumulated Depreciation	0	(1,048,643)
	<u>23,811,587</u>	<u>17,196,094</u>
Construction Other than Buildings at:		
- Independent valuation 2014	0	469,928
- Independent valuation 2017	653,727	0
- Additions after valuation - cost	0	237,256
- Accumulated Depreciation	0	(216,795)
	<u>653,727</u>	<u>490,389</u>
	<u>24,465,314</u>	<u>17,686,483</u>
Total land and buildings	<u>24,465,314</u>	<u>17,686,483</u>
Furniture and equipment at:		
- Management valuation 2016	98,362	98,362
- Additions after valuation - cost	40,240	38,485
Furniture and equipment - Less: accumulated depreciation	(8,895)	0
	<u>129,707</u>	<u>136,847</u>
Plant and equipment at:		
- Management valuation 2016	2,445,159	2,445,159
- Additions after valuation - cost	462,549	29,213
Plant and equipment - Less: accumulated depreciation	(687,592)	(300,952)
	<u>2,220,116</u>	<u>2,173,420</u>
Motor Vehicles at:		
- Management valuation 2016	739,965	739,965
- Additions after valuation - cost	304,795	190,025
Motor Vehicles - Less: accumulated depreciation	(99,625)	0
	<u>945,135</u>	<u>929,990</u>
Construction in Progress at:		
Historical Cost	0	621,915
- Additions after valuation - cost	0	963,212
Construction in rogress - Less: accumulated depreciation	0	0
	<u>0</u>	<u>1,585,127</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
- Independent valuation 2017	1,491,000	1,525,000
Vacant Land for Sale - Less: accumulated depreciation	<u>0</u>	<u>0</u>
	<u>1,491,000</u>	<u>1,525,000</u>
	<u><u>29,251,272</u></u>	<u><u>24,036,867</u></u>

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land & Buildings	17,196,094	823,811		4,587,460			(376,315)	1,580,538	23,811,587
Construction Other than Buildings	490,390	24,802		160,078			(21,540)		653,727
Total land	17,686,484	848,612	0	4,747,538	0	0	(397,855)	1,580,538	24,465,314
Total land and buildings	17,686,484	848,612	0	4,747,538	0	0	(397,855)	1,580,538	24,465,314
Furniture and equipment	136,847	1,755					(8,895)		129,707
Plant and equipment	2,173,420	550,339	(109,643)				(393,997)		2,220,116
Motor Vehicles	929,992	406,249	(261,322)				(129,782)		945,135
Construction in Progress	1,585,127					(4,589)		(1,580,538)	0
Vacant Land for Sale	1,525,000			(34,000)					1,491,000
Total property, plant and equipment	24,036,870	1,806,955	(370,966)	4,713,538	0	(4,589)	(930,529)	0	29,251,272

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land & Buildings	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuer	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.
Buildings - non-specialised					
Buildings - specialised					
Furniture and equipment	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
Plant and equipment	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
- Management valuation 2016					
Motor Vehicles	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
Construction In Progress	3	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Management Valuation	June 2016	Improvements to land using construction costs and current conditions (Level 2), residual values and remaining useful life assessments (Level3) inputs.
Vacant Land for Sale	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.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads & Drainage		
- Management valuation 2015	76,963,879	76,963,879
- Additions after valuation - cost	4,150,065	2,151,172
Infrastructure - Roads - Less: accumulated depreciation	<u>(35,391,291)</u>	<u>(33,873,096)</u>
	45,722,653	45,241,955
Infrastructure - Footpaths & Kerbing		
- Management valuation 2015	1,309,740	1,309,740
Infrastructure - Less: accumulated depreciation	<u>(735,706)</u>	<u>(695,288)</u>
	574,034	614,452
Infrastructure - Recreation		
- Management valuation 2015	0	5,426,550
- Independent valuation 2017	4,005,415	0
- Additions after valuation - cost	0	13,576
Infrastructure - Less: accumulated depreciation	<u>0</u>	<u>(171,355)</u>
	4,005,415	5,268,771
Infrastructure - Other		
- Management valuation 2015	1,058,393	1,058,393
- Additions after valuation - cost	128,252	128,252
Infrastructure - Less: accumulated depreciation	<u>(216,099)</u>	<u>(191,422)</u>
	970,546	995,223
	<u>51,272,648</u>	<u>52,120,401</u>

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

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

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

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	309,613	111,262
Accrued salaries and wages	89,883	86,313
ATO liabilities	90,443	58,682
	<u>489,939</u>	<u>256,257</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by floating charge		
Debentures	111,326	214,552
	<u>111,326</u>	<u>214,552</u>
Non-current		
Secured by floating charge		
Debentures	1,337,212	1,447,957
	<u>1,337,212</u>	<u>1,447,957</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2016			
Current provisions	191,185	102,619	293,804
Non-current provisions	0	43,416	43,416
	<u>191,185</u>	<u>146,035</u>	<u>337,220</u>
Additional provision	147,676	21,549	169,225
Amounts used	(136,215)	(6,060)	(142,275)
Balance at 30 June 2017	<u>202,646</u>	<u>161,524</u>	<u>364,170</u>
Comprises			
Current	202,646	96,704	299,350
Non-current	0	64,820	64,820
	<u>202,646</u>	<u>161,524</u>	<u>364,170</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Freebairn Sportsperson Reserve	11,561	287		11,848	11,561	679		12,240	35,726	835	(25,000)	11,561
Freebairn Recreation Centre Reserve	141,477	28,507		169,984	141,477	27,684		169,161	113,707	27,883	(113)	141,477
Insurance Reserve	0			0	0			0	104,437	1,366	(105,803)	0
Plant Reserve	470,875	11,673		482,548	470,875	258,938		729,813	124,478	346,397		470,875
Leave Reserve	243,529	31,037		274,566	243,529	19,622		263,151	140,136	103,393		243,529
Building Reserve	1,010,294	16,801	(550,000)	477,095	1,010,294	19,196	(550,000)	479,490	201,289	1,009,005	(200,000)	1,010,294
Admin Equipment Reserve	70,000	1,735		71,735	70,000	1,330		71,330	80,417	70,821	(61,238)	70,000
Natural Disaster Reserve	131,558	3,261		134,819	131,558	2,442		134,000	128,489	3,069		131,558
Joint Venture Housing Reserve	88,503	2,194		90,697	88,503	1,680		90,183	86,430	2,073		88,503
FRC Surface Replacement Reserve	48,582	76,204		124,786	48,582	50,542		99,124	25,930	22,652		48,582
Town Planning Reserve	7,723	191	(7,914)	0	7,723	274		7,997	14,372	351	(7,000)	7,723
Camp Kulin Reserve	0	25,000		25,000				0				0
	2,224,102	196,891	(557,914)	1,863,079	2,224,102	382,387	(550,000)	2,056,489	1,035,411	1,587,845	(399,154)	2,224,102

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

SHIRE OF KULIN
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13. REVALUATION SURPLUS

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land & Buildings	12,045,322	4,747,538	(1,062,068)	3,685,469	15,730,791	12,045,322	0	0	0	12,045,322
Property, Plant & Equipment	1,517,352	0	0	0	1,517,352	1,015,602	501,750	0	501,750	1,517,352
Infrastructure - Roads & Drainage	21,711,519	0	0	0	21,711,519	21,711,519	0	0	0	21,711,519
	<u>35,274,193</u>	<u>4,747,538</u>	<u>(1,062,068)</u>	<u>3,685,469</u>	<u>38,959,662</u>	<u>34,772,443</u>	<u>501,750</u>	<u>0</u>	<u>501,750</u>	<u>35,274,193</u>

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

SHIRE OF KULIN
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FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2017	2017	2016
	\$	Budget	\$
Cash and cash equivalents	<u>4,002,773</u>	<u>2,678,852</u>	<u>3,442,592</u>

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

Net result	1,457,455	266,109	148,442
Non-cash flows in Net result:			
Depreciation	2,749,106	2,909,807	2,766,130
(Profit)/Loss on sale of asset	34,388	23,153	46,278
Fair value adjustments to fixed assets at fair value through profit or loss	0		(324,531)
Non-current assets recognised due to changes in legislative requirements	4,588		
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(241,635)	60,000	47,610
(Increase)/Decrease in inventories	(21,115)	8,000	21,943
Increase/(Decrease) in payables	233,682	25,000	(47,845)
Increase/(Decrease) in provisions	26,950	30,000	(73,345)
Grants contributions for the development of assets	<u>(1,872,713)</u>	<u>(1,917,029)</u>	<u>(1,504,999)</u>
Net cash from operating activities	<u>2,370,708</u>	<u>1,405,040</u>	<u>1,079,685</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	<u>2,129</u>	<u>1,492</u>
Total amount of credit unused	<u>12,129</u>	<u>8,508</u>
Loan facilities		
Loan facilities - current	111,326	214,552
Loan facilities - non-current	<u>1,337,212</u>	<u>1,447,957</u>
Total facilities in use at balance date	<u>1,448,538</u>	<u>1,662,509</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

The Shire of Kulin is unaware of any contingent liabilities as at 30 June 2017.

	2017	2016
16. CAPITAL AND LEASING COMMITMENTS	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	22,686	24,278
- later than one year but not later than five years	27,077	49,763
- later than five years	0	0
	49,763	74,041

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	57,613	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	57,613	0

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

17. JOINT VENTURE ARRANGEMENTS

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

	2017	2016
	\$	\$
Non-current assets		
Plant and equipment	7,737	7,737
Less: accumulated depreciation		
	<u>7,737</u>	<u>7,737</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	1,264,910	1,096,951
Law, order, public safety	767,278	675,833
Health	4,051	4,051
Education and welfare	7,754	11,601
Housing	3,493,950	2,091,800
Community amenities	881,025	785,689
Recreation and culture	15,638,135	12,774,365
Transport	47,173,218	46,413,569
Economic services	5,614,915	5,805,191
Other property and services	3,578,501	3,266,043
Unallocated	2,100,184	1,707,177
	<u>80,523,921</u>	<u>74,632,269</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	3.84	5.84	6.14
Asset sustainability ratio	1.26	1.26	1.66
Debt service cover ratio	8.66	10.02	16.25
Operating surplus ratio	(0.13)	(0.39)	0.05
Own source revenue coverage ratio	0.44	0.49	0.50

The above ratios are calculated as follows:

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

Notes:

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

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$907,285.

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

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$850,945.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	2.39	2.71	3.96
Debt service cover ratio	-0.41	-0.14	-0.20
Operating surplus ratio	5.38	15.99	10.22

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. TRUST FUNDS

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

	1 July 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Housing Bonds	16,165	11,905	(6,230)	21,840
Rates Paid in Advance	20,389	22,276	(24,814)	17,851
Health Centre	2,342	0	0	2,342
Landcare Group	1,573	0	0	1,573
Trip Fund	13,220	22,275	(22,910)	12,585
Bush Fire	81	0	0	81
Kulin Softball Club	684	0	0	684
Camp Hart	824	0	(96)	728
FRC Court Resurfacing	1,500	0	0	1,500
Camp Kulin	803	197	0	1,000
Standpipe Cards	80	0	0	80
Headworks Western Power KRH	5,630	0	(5,630)	0
St John Ambulance	1,500	0	0	1,500
	<u>64,792</u>			<u>61,765</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
MV152 - 2015 Toyota Kluger	28,114	28,182	68	-	29,816		-	- 29,816
MV155 - 2015 Holden Caprice	41,227	39,848	-	- 1,380	35,187		-	- 35,187
MV160 - 2016 Holden Caprice	38,679	38,502	-	- 177	-	-	-	-
Transport								
MV133 - Isuzu NPR Crew Cab	37,485	27,400	-	- 10,085	18,000	10,000	-	- 8,000
MV134 - Isuzu Giga CXZ Prime Mover	70,006	50,374	-	- 19,632	58,000	40,000	-	- 18,000
MV159 - 2016 Toyota Prado	45,811	44,273	-	- 1,539	45,000	40,000	-	- 5,000
PE106 - Cat Backhoe Loader	37,485	32,000	-	- 5,485	24,750	30,000	5,250	-
PE116 - John Deere 770D Grader	65,599	71,000	5,401	-	88,000	80,000	-	- 8,000
PE90 - Skid Steer Loader Bobcat	6,560	5,000	-	- 1,560	4,400	5,000	600	-
	<u>370,966</u>	<u>336,578</u>	<u>5,469</u>	<u>(39,857)</u>	<u>303,153</u>	<u>205,000</u>	<u>5,850</u>	<u>(104,003)</u>

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
Administration Centre	1,500,000		80,158	80,158	1,419,842	1,419,842	55,624	45,291
Health								
GEHA Housing	162,385		133,813	134,394	28,572	27,991	7,299	6,524
	<u>1,662,385</u>	<u>0</u>	<u>213,971</u>	<u>214,552</u>	<u>1,448,414</u>	<u>1,447,833</u>	<u>62,923</u>	<u>51,815</u>

Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Shire did not have an overdraft as at 30 June 2017.

SHIRE OF KULIN
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FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate In \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV Residential	0.0983	144	1,196,572	117,623			117,623	117,623			117,623
GRV Industrial	0.0983	19	117,416	11,542			11,542	11,542			11,542
GRV Commercial	0.0983	32	447,448	43,984			43,984	43,984			43,984
GRV Rural	0.0983	17	88,608	8,710			8,710	8,710			8,710
Unimproved value valuations											
UV Rural	0.0107	361	160,029,005	1,715,950			1,715,950	1,714,971			1,714,971
UV Mining	0.0107	6	0	0			0	0			0
Sub-Total		579	161,879,049	1,897,809	0	0	1,897,809	1,896,830	0	0	1,896,830
Minimum payment											
Minimum payment											
Gross rental value valuations											
GRV Residential	407.40	9	5,765	3,667			3,667	3,667			3,667
GRV Industrial	407.40	5	8,236	2,037			2,037	2,037			2,037
GRV Commercial	407.40	4	8,600	1,630			1,630	1,630			1,630
GRV Rural	407.40	6	10,945	2,444			2,444	2,444			2,444
Unimproved value valuations											
UV Rural	407.40	10	258,195	4,074			4,074	4,074			4,074
UV Mining	407.40	6	32,881	2,444			2,444	2,444			2,444
Sub-Total		40	324,622	16,296	0	0	16,296	16,296	0	0	16,296
		619	162,203,671	1,914,105	0	0	1,914,105	1,913,126	0	0	1,913,126
Discounts/concessions (refer note 27)							(109,999)				(85,000)
Total amount raised from general rate							1,804,107				1,828,126
Ex-gratia rates							21,277				21,277
Totals							1,825,384				1,849,403

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>1,780,963</u>	<u>836,239</u>	<u>998,030</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,972,239	1,055,750	1,055,750
Restricted	2,030,534	2,386,842	2,386,842
Investments			
Financial assets at fair value through profit and loss	0	0	324,531
Receivables			
Rates outstanding	84,408	86,202	86,202
Sundry debtors	223,901	19,935	19,935
GST receivable	28,829	33,973	33,973
Fuel Tax Credit Receivable	2,478	3,356	3,356
Prepaid Assets	45,485	0	0
Inventories			
Fuel & Materials	34,274	11,263	11,263
Freebairn Recreation Centre Stock	11,185	13,081	13,081
Cost of acquisition	0	0	1,525,000
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(309,613)	(111,262)	(111,262)
Accrued salaries and wages	(89,883)	(86,313)	(86,313)
ATO liabilities	(90,443)	(58,682)	(58,682)
Current portion of long term borrowings			
Secured by floating charge	(111,326)	(214,552)	(214,552)
Provisions			
Provision for annual leave	(202,646)	(191,185)	(191,185)
Provision for long service leave	(96,704)	(102,619)	(102,619)
Unadjusted net current assets	<u>3,532,716</u>	<u>2,845,789</u>	<u>4,695,320</u>
Adjustments			
Less: Reserves - restricted cash	(1,863,079)	(2,224,102)	(2,224,101)
Less: Kulin Bush Races			(162,741)
Development costs	0	0	(1,525,000)
Add: Secured by floating charge	111,326	214,552	214,552
Adjusted net current assets - surplus/(deficit)	<u>1,780,963</u>	<u>836,239</u>	<u>998,030</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2017.

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
Early Payment Discount	5.00%	-	80,275	85,000	When rates are paid in full by the last business day in September
			<u>80,275</u>	<u>85,000</u>	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
Kulin Retirement Homes	Waived	100.00%		20,643	6,500
Rates raised in error	Write-off	100.00%		8,993	31,000
Small balances	Write-off	<\$5		87	0
				<u>29,724</u>	<u>37,500</u>

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

SHIRE OF KULIN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	30-Sep-16	0	5.50%	11.00%
Option Two				
First Instalment	30-Sep-16		5.50%	11.00%
Second Instalment	01-Feb-17		5.50%	11.00%
Option Three				
First Instalment	30-Sep-16		5.50%	11.00%
Second Instalment	01-Dec-16		5.50%	11.00%
Third Instalment	01-Feb-17		5.50%	11.00%
Fourth Instalment	01-Apr-17		5.50%	11.00%
			Revenue	Budgeted Revenue
Interest on unpaid rates			\$ 11,926	\$ 8,000
Interest on instalment plan			1,315	1,000
Charges on instalment plan			763	700
			<u>14,004</u>	<u>9,700</u>

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29. FEES & CHARGES	2017	2016
	\$	\$
Governance	3,472	60,552
General purpose funding	7,849	2,516
Law, order, public safety	3,574	2,359
Health	225	0
Education and welfare	132,038	152,828
Housing	143,000	145,965
Community amenities	85,925	80,553
Recreation and culture	178,218	226,238
Transport	288	13,000
Economic services	661,508	772,590
Other property and services	68,879	196,801
	<u>1,284,977</u>	<u>1,653,400</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	96,593	0
General purpose funding	2,595,162	842,075
Law, order, public safety	28,793	48,888
Education and welfare	58,633	80,054
Housing	5,189	0
Community amenities	1,900	0
Recreation and culture	33,850	34,500
Transport	194,723	482,565
Economic services	342,885	225,672
Other property and services	52,029	0
	<u>3,409,756</u>	<u>1,713,753</u>
Non-operating grants, subsidies and contributions		
Community amenities	0	25,394
Recreation and culture	0	21,317
Transport	1,872,713	1,391,043
Economic services	0	67,245
	<u>1,872,713</u>	<u>1,504,999</u>
	<u>5,282,469</u>	<u>3,218,752</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>39</u>	<u>40</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	26,150	24,000	22,000
President's allowance	5,000	5,000	3,350
Travelling expenses	5,785	7,266	10,087
Telecommunications allowance	721	9,600	5,659
	<u>37,656</u>	<u>45,866</u>	<u>41,096</u>

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33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017
\$

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

Short-term employee benefits	371,664
Post-employment benefits	46,944
Other long-term benefits	33,140
	451,748

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 at Note 32.

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 long service benefits accruing during the year.

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 venture entities accounted for under the equity method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 17.

Transactions with related parties

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

The following transactions occurred with related parties:

2017
\$

Associated companies/individuals:	42,812
Joint venture entities:	0
Amounts outstanding from related parties:	0
Amounts payable to related parties:	400

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

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34. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,002,773	3,442,592	4,002,773	3,442,592
Receivables	390,101	148,466	390,101	148,466
	<u>4,392,874</u>	<u>3,591,058</u>	<u>4,392,874</u>	<u>3,591,058</u>
Financial liabilities				
Payables	489,939	256,257	489,939	256,257
Borrowings	1,448,538	1,662,509	1,448,538	1,662,509
	<u>1,938,477</u>	<u>1,918,766</u>	<u>1,938,477</u>	<u>1,918,766</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2017	2016
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	400,277	344,259
- Statement of Comprehensive Income	400,277	344,259
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	40,028	34,426
- Statement of Comprehensive Income	40,028	34,426

Notes:

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

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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:

	2017	2016
Percentage of rates and annual charges		
- Current	39%	47%
- Overdue	61%	53%
Percentage of other receivables		
- Current	27%	91%
- Overdue	73%	9%

SHIRE OF KULIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2017					
Payables	489,939	0	0	489,939	489,939
Borrowings	111,326	452,973	884,115	1,448,414	1,448,538
	<u>601,265</u>	<u>452,973</u>	<u>884,115</u>	<u>1,938,353</u>	<u>1,938,477</u>
2016					
Payables	256,257	0	0	256,257	256,257
Borrowings	214,552	381,478	1,066,480	1,662,509	1,662,509
	<u>470,809</u>	<u>381,478</u>	<u>1,066,480</u>	<u>1,918,766</u>	<u>1,918,766</u>

SHIRE OF KULIN
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
 Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Debentures	111,326	85,177	87,804	90,511	93,302	980,293	1,448,414	3.15%
Weighted average Effective interest rate	4.38%	3.05%	3.05%	3.05%	3.05%	3.05%		
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debentures	214,552	117,867	85,224	87,843	90,543	1,066,479	1,662,509	3.50%
Weighted average Effective interest rate	5.84%	4.38%	3.05%	3.05%	3.05%	3.05%		

**SHIRE OF KULIN
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.68	0.68	0.73
Asset renewal funding ratio	0.36	0.38	0.43

The above ratios are calculated as follows:

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

