

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Rate Setting Statement	9
Notes to and Forming Part of the Financial Report	10 to 56
Independent Audit Report	57 & 58
Supplementary Ratio Information	59

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Cranbrook being the annual financial report and other information for the financial year ended 30th June 2013 are in my opinion properly drawn up to present fairly the financial position of the Shire of Cranbrook at 30th June 2013 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 7th day of November 2013



Peter Northover
Chief Executive Officer

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Rates	23	1,956,006	1,968,937	1,868,102
Operating Grants, Subsidies and Contributions	29	1,383,030	787,765	1,574,320
Fees and Charges	28	319,846	374,805	296,059
Service Charges	25	0	0	0
Interest Earnings	2(a)	92,060	94,970	104,327
Other Revenue		1,989	1,850	1,242
		<u>3,752,931</u>	<u>3,228,327</u>	<u>3,844,050</u>
Expenses				
Employee Costs		(859,690)	(1,013,550)	(813,118)
Materials and Contracts		(1,632,662)	(1,331,424)	(1,047,411)
Utility Charges		(119,365)	(106,805)	(93,067)
Depreciation on Non-Current Assets	2(a)	(1,577,974)	(1,524,800)	(1,498,619)
Interest Expenses	2(a)	(31,998)	(31,998)	(36,093)
Insurance Expenses		(116,345)	(119,345)	(117,028)
Other Expenditure		(67,393)	(77,301)	(88,421)
		<u>(4,405,427)</u>	<u>(4,205,223)</u>	<u>(3,693,756)</u>
		(652,496)	(976,896)	150,294
Non-Operating Grants, Subsidies and Contributions	29	2,165,784	3,622,894	1,660,597
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	0	0	0
Profit on Asset Disposals	21	85,197	151,700	82,966
Loss on Asset Disposal	21	(108,146)	(62,800)	(10,020)
		<u>1,490,339</u>	<u>2,734,898</u>	<u>1,883,838</u>
Net Result				
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	400,596	0	5,613
		<u>400,596</u>	<u>0</u>	<u>5,613</u>
Total Other Comprehensive Income				
		<u>1,890,935</u>	<u>2,734,898</u>	<u>1,889,451</u>
Total Comprehensive Income				

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

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Governance		22,341	6,330	10,063
General Purpose Funding		3,171,561	2,617,835	3,306,530
Law, Order, Public Safety		54,238	49,550	58,995
Health		1,266	1,150	1,055
Education and Welfare		0	0	0
Housing		84,563	81,940	80,107
Community Amenities		73,136	75,185	68,685
Recreation and Culture		21,586	21,015	22,558
Transport		127,102	117,399	117,713
Economic Services		105,493	62,650	64,483
Other Property and Services		126,672	219,550	123,882
		<u>3,787,958</u>	<u>3,252,604</u>	<u>3,854,070</u>
Expenses				
Governance		(88,369)	(364,944)	(358,570)
General Purpose Funding		(395,911)	(104,624)	(130,966)
Law, Order, Public Safety		(216,972)	(211,814)	(154,903)
Health		(43,586)	(41,806)	(35,954)
Education and Welfare		(5,402)	(4,974)	(1,536)
Housing		(62,066)	(68,984)	(40,488)
Community Amenities		(312,120)	(349,020)	(268,316)
Recreation and Culture		(643,727)	(576,245)	(564,297)
Transport		(2,257,173)	(2,004,677)	(1,831,830)
Economic Services		(309,924)	(314,016)	(175,470)
Other Property and Services		(73,208)	(174,820)	(105,352)
		<u>(4,408,456)</u>	<u>(4,215,925)</u>	<u>(3,667,682)</u>
Finance Costs				
Recreation and Culture		(13,973)	(13,973)	(15,534)
Housing		(18,025)	(18,025)	(20,559)
	2(a)	<u>(31,998)</u>	<u>(31,998)</u>	<u>(36,093)</u>
Fair Value Adjustments to Financial Assets at Fair Value through Profit or Loss				
General Purpose Funding		0	0	0
Non-Operating Grants, Subsidies and Contributions				
Governance		0	0	0
General Purpose Funding		670,830	1,570,830	381,565
Law, Order, Public Safety		277,725	386,000	0
Health		0	0	0
Education and Welfare		0	0	0
Housing		50,000	50,000	0
Community Amenities		0	0	21,978
Recreation and Culture		73,673	269,002	56,618
Transport		989,486	1,163,062	1,166,745
Economic Services		104,070	184,000	33,691
Other Property and Services		0	0	0
		<u>2,165,784</u>	<u>3,622,894</u>	<u>1,660,597</u>
Profit/(Loss) on Disposal of Assets				
Governance		(29,586)	(10,400)	0
Housing		(43,534)	109,000	52,602
Other Property and Services		50,171	(9,700)	20,344
		<u>(22,949)</u>	<u>88,900</u>	<u>72,946</u>
Net Result		<u>1,490,339</u>	<u>2,716,475</u>	<u>1,883,838</u>

Other Comprehensive Income

Changes on revaluation of

non-current assets	13	<u>400,596</u>	<u>0</u>	<u>5,613</u>
Total Other Comprehensive Income		<u>400,596</u>	<u>0</u>	<u>5,613</u>
Total Comprehensive Income		<u><u>1,890,935</u></u>	<u><u>2,716,475</u></u>	<u><u>1,889,451</u></u>

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

**SHIRE OF CRANBROOK
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013**

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,855,676	1,612,015
Investments	4	0	0
Trade and Other Receivables	5	404,549	279,203
Inventories	6	35,047	21,661
TOTAL CURRENT ASSETS		<u>2,295,273</u>	<u>1,912,880</u>
NON-CURRENT ASSETS			
Other Receivables	5	51,427	63,134
Investments	4	64,002	65,522
Inventories	6	0	0
Property, Plant and Equipment	7	12,503,560	11,280,181
Infrastructure	8	89,713,999	89,436,105
TOTAL NON-CURRENT ASSETS		<u>102,332,987</u>	<u>100,844,943</u>
TOTAL ASSETS		<u>104,628,260</u>	<u>102,757,823</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	130,234	103,636
Long Term Borrowings	10	73,841	69,490
Provisions	11	138,251	125,712
TOTAL CURRENT LIABILITIES		<u>342,325</u>	<u>298,838</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	10	391,863	465,704
Provisions	11	53,712	43,855
TOTAL NON-CURRENT LIABILITIES		<u>445,575</u>	<u>509,559</u>
TOTAL LIABILITIES		<u>787,899</u>	<u>808,397</u>
NET ASSETS		<u>103,840,361</u>	<u>101,949,426</u>
EQUITY			
Retained Surplus		69,125,491	67,779,688
Reserves - Cash Backed	12	1,083,812	939,276
Revaluation Surplus	13	33,631,058	33,230,462
TOTAL EQUITY		<u>103,840,361</u>	<u>101,949,426</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		65,987,863	847,263	33,224,849	100,059,975
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Restated Balance		65,987,863	847,263	33,224,849	100,059,975
Comprehensive Income					
Net Result		1,883,838	0	0	1,883,838
Changes on Revaluation of Non-Current Assets	13	0	0	5,613	5,613
Total Comprehensive Income		<hr/> 1,883,838	<hr/> 0	<hr/> 5,613	<hr/> 1,889,451
Reserve Transfers		(92,013)	92,013	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2012		67,779,688	939,276	33,230,462	101,949,426
Comprehensive Income					
Net Result		1,490,339	0	0	1,490,339
Changes on Revaluation of Non-Current Assets	13	0	0	400,596	400,596
Total Other Comprehensive Income		<hr/> 1,490,339	<hr/> 0	<hr/> 400,596	<hr/> 1,890,935
Reserve Transfers		(144,536)	144,536	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2013		69,125,491	1,083,812	33,631,058	103,840,361

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

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,962,959	2,140,514	1,840,662
Operating Grants, Subsidies and Contributions		1,383,030	787,765	1,573,940
Fees and Charges		132,283	388,844	253,680
Service Charges		0	0	0
Interest Earnings		92,060	94,970	104,327
Goods and Services Tax		417,566	0	286,738
Other Revenue		1,989	1,850	1,623
		<u>3,989,888</u>	<u>3,413,943</u>	<u>4,060,970</u>
Payments				
Employee Costs		(836,449)	(969,262)	(799,168)
Materials and Contracts		(1,654,211)	(1,300,025)	(1,132,945)
Utility Charges		(119,365)	(106,805)	(93,067)
Insurance Expenses		(116,345)	(119,345)	(117,028)
Interest expenses		(31,998)	(31,998)	(36,093)
Goods and Services Tax		(325,779)	0	(310,124)
Other Expenditure		(67,393)	(77,301)	(88,421)
		<u>(3,151,540)</u>	<u>(2,604,736)</u>	<u>(2,576,846)</u>
Net Cash Provided By (Used In) Operating Activities	14(b)	<u>838,348</u>	<u>809,207</u>	<u>1,484,124</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(1,978,701)	(3,151,867)	(1,421,584)
Payments for Construction of Infrastructure		(1,194,756)	(2,280,063)	(1,409,679)
Advances to Community Groups		0	(1,000)	0
Proceeds from Community Loans		9,100	9,100	9,470
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		2,165,784	3,622,894	1,660,597
Proceeds from Sale of Plant & Equipment		473,376	573,000	197,985
Proceeds from Advances		0	0	0
Proceeds from Sale of Investments		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Investing Activities		(525,197)	(1,227,936)	(963,211)
Cash Flows from Financing Activities				
Repayment of Debentures		(69,490)	(69,489)	(65,395)
Repayment of Finance Leases		0	0	0
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided By (Used In) Financing Activities		(69,490)	(69,489)	(65,395)
Net Increase (Decrease) in Cash Held		243,661	(488,218)	455,518
Cash at Beginning of Year		1,612,015	1,612,015	1,156,496
Cash and Cash Equivalents at the End of the Year	14(a)	<u>1,855,676</u>	<u>1,123,797</u>	<u>1,612,015</u>

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

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

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
Governance		22,341	6,330	10,063
General Purpose Funding		1,886,385	2,238,151	1,837,210
Law, Order, Public Safety		331,963	435,550	58,995
Health		1,266	1,150	1,055
Housing		134,563	240,940	132,710
Community Amenities		73,136	75,185	90,663
Recreation and Culture		95,259	290,017	79,176
Transport		1,116,588	1,280,461	1,284,458
Economic Services		209,563	246,650	98,174
Other Property and Services		176,843	219,550	144,226
		<u>4,047,907</u>	<u>5,033,983</u>	<u>3,736,729</u>
Expenses				
Governance		(395,910)	(375,344)	(358,570)
General Purpose Funding		(117,955)	(104,624)	(130,966)
Law, Order, Public Safety		(216,971)	(211,814)	(154,903)
Health		(43,586)	(41,806)	(35,954)
Education and Welfare		(5,402)	(4,974)	(1,536)
Housing		(123,625)	(87,009)	(61,047)
Community Amenities		(312,120)	(349,020)	(268,316)
Recreation and Culture		(657,700)	(590,218)	(579,831)
Transport		(2,257,173)	(2,004,677)	(1,831,830)
Economic Services		(309,924)	(314,016)	(175,470)
Other Property and Services		(73,208)	(184,520)	(105,352)
		<u>(4,513,574)</u>	<u>(4,268,023)</u>	<u>(3,703,775)</u>
Net Result Excluding Rates		(465,667)	765,961	32,954
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Land		0	0	0
(Profit)/Loss on Asset Disposals	21	22,949	(88,900)	(72,946)
Movement in Deferred Pensioner Rates (Non-Current)		3,107	0	(5,474)
Movement in Employee Benefit Provisions (Non-Current)		22,396	0	7,718
Movement in Accrued Salaries and Wages		846	0	6,230
Depreciation and Amortisation on Assets	2(a)	1,577,974	1,524,800	1,498,619
Capital Expenditure and Revenue				
Purchase Land and Buildings		(842,352)	(1,956,746)	(1,003,714)
Purchase Infrastructure Assets - Roads		(1,194,756)	(2,280,062)	(1,409,679)
Purchase Plant and Equipment		(1,136,349)	(1,179,139)	(390,601)
Purchase Furniture and Equipment		0	(15,982)	(27,267)
Proceeds from Disposal of Assets	21	473,376	573,000	197,985
Repayment of Debentures	22	(69,490)	(69,489)	(65,395)
Proceeds from New Debentures	22	0	0	0
Self-Supporting Loan Principal Income		9,100	9,100	9,470
Self-Supporting Loan Expense		0	(1,000)	0
Transfers to Reserves (Restricted Assets)	12	(423,639)	(505,682)	(316,397)
Transfers from Reserves (Restricted Assets)	12	279,103	521,160	224,384
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	871,682	752,465	334,913
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	1,084,289	0	871,682
Total Amount Raised from General Rate	23(a)	<u>(1,956,006)</u>	<u>(1,950,514)</u>	<u>(1,850,885)</u>

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax (GST)

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

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

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

(f) Inventories

General

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

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

Land Held for Resale

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

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

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

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

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

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

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

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

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

Land Under Control

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Initial Recognition

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

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

Revaluation

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

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

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Transitional Arrangement

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

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

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

Early Adoption of AASB 13 - Fair Value Measurement

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

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

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

Land under Roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets

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

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

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

Buildings	30 to 60 years
Furniture and Equipment	3 to 15 years
Plant and Equipment	1 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	45 to 55 years
seal	
- bituminous seals	15 to 25 years
- asphalt surfaces	25 to 30 years
Gravel roads	
formation	not depreciated
pavement	45 to 55 years
gravel sheet	8 to 12 years
Formed roads	
formation	not depreciated
pavement	45 to 55 years
Footpaths - slab	25 to 45 years

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

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

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

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised.

(h) Intangible Assets

Easements

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

Derecognition

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

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

(j) Impairment

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

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

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

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

(k) Trade and Other Payables

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

(l) Employee Benefits

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

(m) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

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

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

(o) Leases

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

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

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

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

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

(p) Investments in Associates

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 17.

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

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

(r) Rates, Grants, Donations and Other Contributions

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

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

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

(s) Superannuation

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

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Comparative Figures

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

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

(w) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

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

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

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

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

2. REVENUE AND EXPENSES	2013	2012	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the financial report	16,290	13,260	
- Other Services	2,900	1,450	
Depreciation			
Buildings	197,151	177,715	
Furniture and Equipment	33,486	34,329	
Plant and Equipment	430,475	400,328	
Roads and Other Infrastructure	916,862	886,247	
	<u>1,577,974</u>	<u>1,498,619</u>	
Interest Expenses (Finance Costs)			
Finance Lease Charges	0	0	
Debentures (<i>refer Note 22(a)</i>)	31,998	36,093	
	<u>31,998</u>	<u>36,093</u>	
Rental Charges			
- Operating Leases	<u>8,376</u>	<u>8,376</u>	
(ii) Crediting as Revenue:			
	2013	2013	2012
	\$	Budget	\$
		\$	
Interest Earnings			
Investments			
- Reserve Funds	39,517	41,070	45,289
- Other Funds	30,123	33,800	37,938
Other Interest Revenue (<i>refer note 27</i>)	22,420	20,100	21,100
	<u>92,060</u>	<u>94,970</u>	<u>104,327</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Administration and operation of facilities and services to members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

Food quality control, provide and maintain the Cranbrook and Frankland River doctors surgeries.

EDUCATION AND WELFARE

Provide financial assistance for community lunches, facilities to playgroups and other community groups.

HOUSING

Maintenance of staff and rental housing.

COMMUNITY AMENITIES

Rubbish collection services, maintenance of various rubbish disposal sites, control and co-ordination of cemeteries and storm water drainage maintenance. The administration of the Town Planning Scheme, Community Services and Environmental Services.

RECREATION AND CULTURE

Maintenance of halls, sporting complex, various reserves, art and craft centre, Lake Poorrarecup and Nunijup, and operation of the Cranbrook and Frankland River Libraries.

TRANSPORT

Construction and maintenance of streets, roads, footpaths, parking facilities; cleaning and lighting of streets, traffic signage and depot maintenance.

ECONOMIC SERVICES

The regulation and provision of tourism, area promotion, building control, noxious weeds, and the operation of the Cranbrook and Frankland River Caravan Parks.

OTHER PROPERTY AND SERVICES

Private works operations, plant repairs, operations costs and the allocation of overheads.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance (*) 30-Jun-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance 30-Jun-13 \$
RLCIP	GPF	30,000	0	(30,000)	0	0	0	0
RRG - (Frankland Cranbrook Rd)	Transport	24,008	36,176	(60,184)	0	0	0	0
Black Spot - (Wingebellup Rd)	Transport	2,009	4,800	(6,809)	0	0	0	0
Black Spot - (Wingebellup Rd)	Transport	27,809	42,000	(69,809)	0	0	0	0
Drought Relief Funding	OP&S	17,850	0	(17,850)	0	0	0	0
AGWA Grant - Town Bore	Community Ame	0	21,978	0	21,978	0	(9,436)	12,542
RRG - (Frankland Cranbrook Rd)	Transport	0	44,572	(252)	44,320	0	(44,320)	0
RRG - (Kojonup Frankland Rd)	Transport	0	37,333	(33,695)	3,638	0	(17)	3,621
RRG - (Salt River Rd)	Transport	0	3,333	(515)	2,818	0	(2,818)	0
R2R - (Porrarecup Rd)	Transport	0	314,884	(284,857)	30,027	0	(30,027)	0
TIRES - (Porrarecup Rd)	Transport	0	23,625	(22,812)	813	0	(813)	0
Black Spot - (Salt River Rd)	Transport	0	1,040	0	1,040	0	(1,040)	0
CLGF Grant	GPF	0	0	0	0	670,830	(228,340)	442,490
Total		101,676	529,741	(526,783)	104,634	670,830	(316,811)	458,653

Notes:

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

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

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

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

	2013 \$	2012 \$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	313,211	568,103
Restricted	<u>1,542,465</u>	<u>1,043,912</u>
	<u><u>1,855,676</u></u>	<u><u>1,612,015</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Long Service Leave Reserve	28,545	27,393
Plant Replacement Reserve	194,589	239,582
Building Asset Management Reserve	101,940	4,975
Community Associations Financial Assistance Reserve	23,963	17,718
Office Equipment Reserve	6,615	1,550
Waste Management Reserve	82,353	79,029
Acquisition and Development of Land Reserve	108,185	139,350
Administration Building Upgrade Reserve	-	56,957
Frankland River Works Depot Reserve	30,267	29,045
Frankland River Sporting Facilities Reserve	255,908	177,068
Housing Reserve	81,269	26,463
Cranbrook St John Sub-Centre Reserve	105,515	101,255
Community Bus Reserve	5,999	2,749
Asset Replacement Fund - Frankland River Bowling Green Reser	22,030	14,423
Asset Replacement Fund - Cranbrook Bowling Green Reserve	22,030	14,423
Sundry Equipment Reserve	9,294	4,121
Frederick Square Maintenance Reserve	5,310	3,177
Unspent Grants	<u>458,653</u>	<u>104,634</u>
	<u><u>1,542,465</u></u>	<u><u>1,043,912</u></u>
4. INVESTMENTS		
Available-for-Sale Financial Assets	<u>64,002</u>	<u>65,522</u>
Available-for-Sale Financial Assets		
At beginning of the year	65,522	59,909
Revaluation to Income Statement	(1,520)	5,613
Additions	0	0
Disposals	0	0
At end of the year	<u>64,002</u>	<u>65,522</u>
Non-Current		
Unlisted Investment at Cost*		
- Share in Great Southern Community Financial Services Ltd	5,000	5,000
Unlisted Investment at Valuation		
- Units in Local Government House Trust	<u>59,002</u>	<u>60,522</u>
	<u><u>64,002</u></u>	<u><u>65,522</u></u>

* The fair value of this investment cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, it is reflected at cost.

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

	2013	2012
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	104,730	108,575
Sundry Debtors	291,219	103,657
GST Receivable	0	57,871
Loans - Clubs/Institutions	8,600	9,100
	<u>404,549</u>	<u>279,203</u>
Non-Current		
Rates Outstanding - Pensioners	8,226	11,334
Loans - Clubs/Institutions	43,200	51,800
	<u>51,427</u>	<u>63,134</u>
6. INVENTORIES		
Current		
Fuel	14,021	4,285
Materials	21,025	17,376
	<u>35,047</u>	<u>21,661</u>

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

	2013	2012
	\$	\$
7. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	10,060,426	9,342,293
Less Accumulated Depreciation	<u>(1,141,940)</u>	<u>(968,109)</u>
	<u>8,918,487</u>	<u>8,374,183</u>
Furniture and Equipment - Cost		666,290
Furniture and Equipment - Management Valuation 2013	375,318	0
Less Accumulated Depreciation	<u>0</u>	<u>(335,878)</u>
	<u>375,318</u>	<u>330,412</u>
Plant and Equipment - Cost		4,924,960
Plant and Equipment - Management Valuation 2013	3,209,756	0
Less Accumulated Depreciation	<u>0</u>	<u>(2,349,374)</u>
	<u>3,209,756</u>	<u>2,575,586</u>
	<u><u>12,503,560</u></u>	<u><u>11,280,181</u></u>

Plant and Equipment:

The Shire's Plant and Equipment was revalued at 30 June 2013 by management valuation. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall increase of \$314,667 in the net value of the Shire's plant and equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 13(c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

Furniture and Equipment:

The Shire's Furniture and Equipment was revalued at 30 June 2013 by management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs).

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

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

The revaluation resulted in an overall increase of \$87,449 in the net value of the Shire's furniture and equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 13(d) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Plant and Equipment (Level 2) \$	Furniture and Equipment (Level 3) \$	Total \$
Balance as at the beginning of the year	8,374,183	2,575,586	330,412	11,280,181
Additions	842,352	1,136,349	0	1,978,701
(Disposals)	(100,897)	(386,372)	(9,058)	(496,326)
Revaluation - Increments	0	314,667	87,449	402,116
- (Decrements)	0	0	0	0
Impairment - (Losses)	0	0	0	0
- Reversals	0	0	0	0
Initial Recognition of assets Due to Changes to Regulations	0	0	0	0
Depreciation (Expense)	(197,151)	(430,475)	(33,486)	(661,112)
Carrying amount at the end of year	<u>8,918,487</u>	<u>3,209,756</u>	<u>375,318</u>	<u>12,503,560</u>

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

	2013	2012
	\$	\$
8. INFRASTRUCTURE		
Roads - Management Valuation 2007	114,334,587	114,334,587
Roads - Cost	8,169,949	6,975,191
Less Accumulated Depreciation	<u>(33,771,033)</u>	<u>(32,874,760)</u>
	<u>88,733,502</u>	<u>88,435,018</u>
Other Infrastructure - Cost	1,359,554	1,359,554
Less Accumulated Depreciation	<u>(379,057)</u>	<u>(358,467)</u>
	<u>980,497</u>	<u>1,001,087</u>
	<u><u>89,713,999</u></u>	<u><u>89,436,105</u></u>

Movements in Carrying Amounts

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

	Roads	Other	Total
	\$	Infrastructure	\$
	<u> </u>	<u> </u>	<u> </u>
Balance at the beginning of the year	88,435,018	1,001,087	89,436,105
Additions	1,194,756	0	1,194,756
(Disposals)	0	0	0
Revaluation - Increments	0	0	0
- (Decrements)	0	0	0
Impairment - (Losses)	0	0	0
- Reversals	0	0	0
Depreciation (Expense)	(896,272)	(20,590)	(916,862)
Carrying amount at the end of year	<u><u>88,733,502</u></u>	<u><u>980,497</u></u>	<u><u>89,713,999</u></u>

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

	2013	2012
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	84,656	92,819
GST Payable	33,916	0
Accrued Interest on Debentures	0	0
Accrued Salaries and Wages	11,663	10,817
	<u>130,234</u>	<u>103,636</u>

10. LONG-TERM BORROWINGS

Current

Secured by Floating Charge

Debentures	73,841	69,490
Lease Liability	0	0
	<u>73,841</u>	<u>69,490</u>

Non-Current

Secured by Floating Charge

Debentures	391,863	465,704
Lease Liability	0	0
	<u>391,863</u>	<u>465,704</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

Analysis of Total Provisions

Current	138,251	125,712
Non-Current	53,712	43,855
	<u>191,963</u>	<u>169,567</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2012	67,724	101,843	169,567
Additional provisions	24,861	16,874	41,735
Amounts used	(19,339)	0	(19,339)
Used amounts reversed	0	0	0
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	0	0
Balance at 30 June 2013	<u>73,246</u>	<u>118,717</u>	<u>191,963</u>

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

	2013 \$	2013 Budget \$	2012 \$
12. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	27,393	27,393	26,040
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned on Reserve Account	1,152	1,233	1,353
Amount Used / Transfer from Reserve	0	0	0
	<u>28,545</u>	<u>28,626</u>	<u>27,393</u>
(b) Plant Replacement Reserve			
Opening Balance	239,582	239,582	193,872
Amount Set Aside / Transfer to Reserve	0	0	35,636
Interest Earned on Reserve Account	10,080	9,583	10,074
Amount Used / Transfer from Reserve	(55,073)	(120,600)	0
	<u>194,589</u>	<u>128,565</u>	<u>239,582</u>
(c) Building Asset Management Reserve			
Opening Balance	4,975	4,975	12,398
Amount Set Aside / Transfer to Reserve	96,756	96,756	30,000
Interest Earned on Reserve Account	209	224	577
Amount Used / Transfer from Reserve	0	0	(38,000)
	<u>101,940</u>	<u>101,954</u>	<u>4,975</u>
(d) Community Associations Financial Assistance Reserve			
Opening Balance	17,718	17,718	11,216
Amount Set Aside / Transfer to Reserve	5,500	5,500	5,870
Interest Earned on Reserve Account	745	797	632
Amount Used / Transfer from Reserve	0	(1,000)	0
	<u>23,963</u>	<u>23,015</u>	<u>17,718</u>
(e) Waste Management Reserve			
Opening Balance	79,029	79,029	75,125
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned on Reserve Account	3,324	3,556	3,904
Amount Used / Transfer from Reserve	0	(10,000)	0
	<u>82,353</u>	<u>72,585</u>	<u>79,029</u>
(f) Office Equipment Reserve			
Opening Balance	1,550	1,550	8,184
Amount Set Aside / Transfer to Reserve	5,000	5,000	0
Interest Earned on Reserve Account	65	70	366
Amount Used / Transfer from Reserve	0	0	(7,000)
	<u>6,615</u>	<u>6,619</u>	<u>1,550</u>

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

	2013 \$	2013 Budget \$	2012 \$
12. RESERVES - CASH BACKED (Continued)			
(g) Acquisition and Development of Land Reserve			
Opening Balance	139,350	139,350	234,297
Amount Set Aside / Transfer to Reserve	39,429	30,000	0
Interest Earned on Reserve Account	5,862	6,271	12,175
Amount Used / Transfer from Reserve	<u>(76,456)</u>	<u>(128,000)</u>	<u>(107,122)</u>
	<u>108,185</u>	<u>47,620</u>	<u>139,350</u>
(h) Administration Building Upgrade Reserve			
Opening Balance	56,957	56,957	112,955
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned on Reserve Account	2,396	2,563	5,687
Amount Used / Transfer from Reserve	<u>(59,353)</u>	<u>(59,520)</u>	<u>(61,685)</u>
	<u>0</u>	<u>0</u>	<u>56,957</u>
(i) Frankland River Works Depot Reserve			
Opening Balance	29,045	29,045	27,610
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned on Reserve Account	1,222	1,307	1,435
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>30,267</u>	<u>30,352</u>	<u>29,045</u>
(j) Frankland River Sporting Facilities Reserve			
Opening Balance	177,068	177,068	23,328
Amount Set Aside / Transfer to Reserve	159,611	159,611	151,252
Interest Earned on Reserve Account	7,450	7,968	2,488
Amount Used / Transfer from Reserve	<u>(88,221)</u>	<u>(202,040)</u>	<u>0</u>
	<u>255,908</u>	<u>142,607</u>	<u>177,068</u>
(k) Housing Reserve			
Opening Balance	26,463	26,463	17,772
Amount Set Aside / Transfer to Reserve	53,693	145,085	18,344
Interest Earned on Reserve Account	1,113	1,191	924
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(10,577)</u>
	<u>81,269</u>	<u>172,738</u>	<u>26,463</u>
(l) Cranbrook St John Sub-Centre Reserve			
Opening Balance	101,255	101,255	86,667
Amount Set Aside / Transfer to Reserve	0	0	10,000
Interest Earned on Reserve Account	4,260	4,556	4,588
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>105,515</u>	<u>105,812</u>	<u>101,255</u>

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

	2013 \$	2013 Budget \$	2012 \$
12. RESERVES - CASH BACKED (Continued)			
(m) Community Bus Reserve			
Opening Balance	2,749	2,749	1,801
Amount Set Aside / Transfer to Reserve	3,134	1,660	855
Interest Earned on Reserve Account	116	124	93
Amount Used / Transfer from Reserve	0	0	0
	<u>5,999</u>	<u>4,533</u>	<u>2,749</u>
(n) Asset Replacement Fund - Frankland River Bowling Green Reserve			
Opening Balance	14,423	14,423	7,000
Amount Set Aside / Transfer to Reserve	7,000	7,000	7,000
Interest Earned on Reserve Account	607	649	423
Amount Used / Transfer from Reserve	0	0	0
	<u>22,030</u>	<u>22,072</u>	<u>14,423</u>
(o) Asset Replacement Fund - Cranbrook Bowling Green Reserve			
Opening Balance	14,423	14,423	7,000
Amount Set Aside / Transfer to Reserve	7,000	7,000	7,000
Interest Earned on Reserve Account	607	649	423
Amount Used / Transfer from Reserve	0	0	0
	<u>22,030</u>	<u>22,072</u>	<u>14,423</u>
(p) Sundry Equipment Reserve			
Opening Balance	4,121	4,121	2,000
Amount Set Aside / Transfer to Reserve	5,000	5,000	2,000
Interest Earned on Reserve Account	173	185	121
Amount Used / Transfer from Reserve	0	0	0
	<u>9,294</u>	<u>9,306</u>	<u>4,121</u>
(q) Frederick Square Maintenance Reserve			
Opening Balance	3,177	3,177	0
Amount Set Aside / Transfer to Reserve	2,000	2,000	3,150
Interest Earned on Reserve Account	133	143	27
Amount Used / Transfer from Reserve	0	0	0
	<u>5,310</u>	<u>5,320</u>	<u>3,177</u>
TOTAL CASH BACKED RESERVES	<u><u>1,083,812</u></u>	<u><u>923,797</u></u>	<u><u>939,276</u></u>

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

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

	2013 \$	2013 Budget \$	2012 \$
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12. RESERVES - CASH BACKED (Continued)

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

Long Service Leave Reserve

- to be used to fund long service leave requirements.

Plant Replacement Reserve

- to be used for the purchase of major plant.

Building Asset Management Reserve

- to be used to fund major asset maintenance requirements on Council owned public buildings.

Community Associations Financial Assistance Reserve

- to be used in the provision of interest free loans to community organisations.

Waste Management Reserve

- to be used for the establishment and/or improvement of waste disposal sites.

Office Equipment Reserve

- to be used for the acquisition or replacement of office equipment and furniture.

Acquisition and Development of Land Reserve

- to be used for the acquisition and development of land.

Administration Building Upgrade Reserve

- to be used for the upgrade of the Shire Administration building in Cranbrook.

Frankland River Works Depot Reserve

- to be used for the creation of a Works Depot in Frankland River.

Frankland River Sporting Facilities Reserve

- to be used for the upgrading of sporting facilities in Frankland River.

Housing Reserve

- to be used for funding the building of new and major maintenance of Council housing.

Cranbrook St John Sub-Centre Reserve

- to be used to assist in funding the building of a new St John Sub-Centre in Cranbrook.

Community Bus Reserve

- to be used to assist in funding the purchase of new Community Buses.

Asset Replacement Fund - Frankland River Bowling Green

- to be used for the replacement of the synthetic bowling green at Frankland River.

Asset Replacement Fund - Cranbrook Bowling Green

- to be used for the replacement of the synthetic bowling green at Cranbrook.

Sundry Equipment Reserve

- to be used for the acquisition or replacement of sundry equipment.

Frederick Square Maintenance Reserve

- to be used to fund major repairs and maintenance to the Frederick Square Pavilion.

All of the reserves are reviewed annually and are not expected to be used within a foreseeable set period as further transfers to the reserve accounts are expected as funds are utilised.

The Admin Building Upgrade Reserve was utilised in 2012/2013.

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

13. RESERVES - ASSET REVALUATION	2013	2012
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Roads		
Opening balance	33,174,579	33,174,579
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>33,174,579</u>	<u>33,174,579</u>
(b) Financial Assets		
Opening Balance	55,883	50,270
Revaluation Increment	0	5,613
Revaluation Decrement	(1,520)	0
	<u>54,363</u>	<u>55,883</u>
(c) Plant & Equipment		
Opening Balance	0	0
Revaluation Increment	314,667	0
Revaluation Decrement	0	0
	<u>314,667</u>	<u>0</u>
(d) Furniture & Equipment		
Opening Balance	0	0
Revaluation Increment	87,449	0
Revaluation Decrement	0	0
	<u>87,449</u>	<u>0</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>33,631,058</u></u>	<u><u>33,230,462</u></u>

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

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:

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>1,855,676</u>	<u>1,123,797</u>	<u>1,612,015</u>

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

Net Result	1,490,339	2,716,475	1,883,838
Amortisation	0	0	0
Depreciation	1,577,974	1,524,800	1,498,619
(Profit)/Loss on Sale of Asset	22,949	(88,900)	(72,946)
Movement in Fair Value of Investments	0	0	0
(Increase)/Decrease in Receivables	(88,823)	204,039	(93,205)
(Increase)/Decrease in Inventories	(13,386)	1,661	5,269
Increase/(Decrease) in Payables	(7,318)	29,738	(84,573)
Increase/(Decrease) in Employee Provisions	22,395	44,288	7,719
Grants/Contributions for the Development of Assets	(2,165,784)	(3,622,894)	(1,660,597)
Non-Current Assets recognised due to changes in legislative requirements	0	0	0
Net Cash from Operating Activities	<u>838,348</u>	<u>809,207</u>	<u>1,484,124</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	5,000	5,000
Credit Card Balance at Balance Date	<u>(1,570)</u>	<u>(1,690)</u>
Total Amount of Credit Unused	<u>3,430</u>	<u>3,310</u>

Loan Facilities

Loan Facilities - Current	73,841	69,490
Loan Facilities - Non-Current	<u>391,863</u>	<u>465,704</u>
Total Facilities in Use at Balance Date	<u>465,704</u>	<u>535,194</u>

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

15. CONTINGENT LIABILITIES

The Council has no contingent liabilities as at 30 June 2013.

	2013 \$	2012 \$
16. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
The Council has no finance lease commitments as at 30 June 2013.		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	8,376	8,376
- later than one year but not later than five years	8,376	16,752
- later than five years	0	0
	16,752	25,128
(c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	0

17. JOINT VENTURE

The Council has no joint venture projects.

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

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2013	2012
	\$	\$
Governance	2,453,252	2,511,706
Law, Order, Public Safety	838,716	515,848
Community Amenities	597,552	539,399
Recreation and Culture	5,473,827	5,268,187
Transport	89,045,128	88,570,670
Economic Services	1,195,594	980,903
Other Property and Services	2,613,491	2,329,576
Unallocated	2,410,700	2,041,534
	<u>104,628,260</u>	<u>102,757,823</u>

19. FINANCIAL RATIOS	2013	2012	2011
Current Ratio	2.400	3.20	1.25
Asset Sustainability Ratio	2.011	1.89	3.46
Debt Service Cover Ratio	9.208	31.73	43.86
Operating Surplus Ratio	(0.266)	0.70	0.62
Own Source Revenue Coverage Ratio	0.565	1.12	1.12

The above ratios are calculated as follows:

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

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.

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

20. TRUST FUNDS

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

	Balance 1-Jul-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Lake Poorrarecup Improvement Funds	4,094	39	0	4,133
Staff Housing Bonds	6,130	1,030	(2,410)	4,750
Nomination Deposits	0	0	0	0
On-Line Licensing	1,457	313,876	(313,017)	2,316
Housing Deposit - Frahm	2,500	0	0	2,500
	<u>14,181</u>			<u>13,699</u>

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

21. DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Plant & Equipment						
<i>Governance</i>						
Holden Caprice	38,449	40,000	39,447	40,000	998	0
VW Passat	27,733	30,000	27,727	30,000	(6)	0
Ford Falcon	22,237	22,200	13,636	18,000	(8,601)	(4,200)
Ford Falcon	22,099	22,200	12,727	16,000	(9,372)	(6,200)
Holden Captiva	32,529	0	31,201	0	(1,328)	0
Holden Captiva	33,653	0	31,201	0	(2,452)	0
<i>Other Property & Services</i>						
Ford Ranger	22,715	22,700	21,818	20,000	(897)	(2,700)
Ford Ranger	22,484	22,400	23,636	20,000	1,152	(2,400)
Ford Ranger	15,711	15,400	14,091	12,000	(1,620)	(3,400)
Ford Ranger	19,580	19,900	18,182	18,000	(1,398)	(1,900)
Hino Tray Top Truck	26,141	25,000	14,545	10,000	(11,596)	(15,000)
Hino Tip Truck	0	95,000	0	75,000	0	(20,000)
Cat 12H Grader	19,080	23,500	85,000	60,000	65,920	36,500
Pacific Road Roller	0	0	1,364	1,000	1,364	1,000
Broon Walking Beam Grader	0	40,000	0	35,000	0	(5,000)
John Deere Tractor & Loader	0	47,000	0	45,000	0	(2,000)
Bosich 2nd Hand Dolly	2,681	2,800	6,972	7,000	4,291	4,200
Tow Behind Roller	0	0	182	500	182	500
Towed Roller Multi	0	0	309	500	309	500
Holden Colorado	35,319	0	32,727	0	(2,592)	0
Toyota Hilux	30,266	0	31,818	0	1,552	0
Tenterden Fire Unit	3,069	0	0	0	(3,069)	0
Outdoor Furniture	1,229	0	0	0	(1,229)	0
BBQ's-Lakes	192	0	0	0	(192)	0
Trailer	641	0	0	0	(641)	0
Fuel Pump	147	0	0	0	(147)	0
Trash Pump	258	0	0	0	(258)	0
Kevrek Crane	1,373	0	0	0	(1,373)	0
VHF Handheld	681	0	0	0	(681)	0
Brushcutter	400	0	0	0	(400)	0
Minor Equipment	3,364	0	0	0	(3,364)	0
Minor Plant & Equipment	5,196	0	0	0	(5,196)	0
Minor Equipment	372	0	0	0	(372)	0
Furniture & Equipment						
<i>Governance</i>						
Washing Machine	336	0	0	0	(336)	0
Paintings	785	0	0	0	(785)	0
Five Office Chairs	430	0	0	0	(430)	0
Compactafire	435	0	0	0	(435)	0
Office Equipment	5,595	0	0	0	(5,595)	0
Chair	247	0	0	0	(247)	0
Land & Buildings						
<i>Governance</i>						
Lot 300 Johnson St	30,000	30,000	39,429	30,000	9,429	0
<i>Housing</i>						
House Lot 9 Edward St	70,898	0	27,364	0	(43,534)	0
Lot 217 Grantham St	0	26,000	0	135,000	0	109,000
	496,325	484,100	473,376	573,000	(22,949)	88,900

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal 30-Jun-13		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Loan 73 - Grenfell St Units	37,850	0	18,339	18,339	19,511	19,511	2,097	2,097
Loan 75 - Currie St Units	264,397	0	24,566	24,565	239,831	239,832	15,928	15,928
Recreation & Culture								
Loan 74 - Frederick Square Sportsground (1st year)	12,617	0	6,113	6,113	6,504	6,504	699	699
Loan 76 - Frederick Square Amenities	220,330	0	20,472	20,472	199,858	199,858	13,274	13,274
	535,194	0	69,490	69,489	465,704	465,705	31,998	31,998

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/2013

There were no new debentures raised in the 2012/2013 financial year.

(c) Unspent Debentures

The Council has no unspent debenture funds as at 30 June 2013.

(d) Overdraft

The Council has no overdraft arrangements in place.

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

23. RATING INFORMATION - 2012/13 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
Unimproved Value	0.7841	431	214,178,500	1,679,374	899	0	1,680,273	1,679,319	0	0	1,679,319
Gross Rental Value	9.3734	234	2,008,828	188,295	3,917	1,621	193,833	188,295	1,000	0	189,295
Sub-Totals		665	216,187,328	1,867,669	4,816	1,621	1,874,106	1,867,614	1,000	0	1,868,614
Minimum Rates	Minimum \$										
Unimproved Value	450	28	674,012	12,600	0	0	12,600	12,600	0	0	12,600
Gross Rental Value	450	154	332,118	69,300	0	0	69,300	69,300	0	0	69,300
Sub-Totals		182	1,006,130	81,900	0	0	81,900	81,900	0	0	81,900
							1,956,006				1,950,514
Discounts (refer note 26)							0				0
Total Amount Raised from General Rate							1,956,006				1,950,514
Ex-Gratia Rates							0				18,423
Specified Area Rate (refer note 24)							0				0
Total Rates							1,956,006				1,968,937

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

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

(b) Information on Surplus/(Deficit) Brought Forward	2013 (30 June 2013 Carried Forward) \$	2013 (1 July 2012 Brought Forward) \$	2012 (30 June 2012 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>1,084,289</u>	<u>871,682</u>	<u>871,682</u>
<u>Comprises:</u>			
Cash - Unrestricted	313,211	568,103	568,103
Cash - Restricted	1,542,465	1,043,912	1,043,912
Rates - Current	104,730	108,575	108,575
Sundry Debtors	291,219	103,657	103,657
GST Receivable	0	57,871	57,871
Inventories			
- Fuel and Materials	35,047	21,661	21,661
Less:			
Reserves - Restricted Cash			
- Long Service Leave Reserve	(28,545)	(27,393)	(27,393)
- Plant Replacement Reserve	(194,589)	(239,582)	(239,582)
- Building Asset Management Reserve	(101,940)	(4,975)	(4,975)
- Community Associations Financial Assistance	(23,963)	(17,718)	(17,718)
- Office Equipment Reserve	(6,615)	(1,550)	(1,550)
- Waste Management Reserve	(82,353)	(79,029)	(79,029)
- Acquisition and Development of Land Reserve	(108,185)	(139,350)	(139,350)
- Administration Building Upgrade Reserve	0	(56,957)	(56,957)
- Frankland River Works Depot Reserve	(30,267)	(29,045)	(29,045)
- Frankland River Sporting Facilities Reserve	(255,908)	(177,068)	(177,068)
- Housing Reserve	(81,269)	(26,463)	(26,463)
- Cranbrook St John Sub-Centre Reserve	(105,515)	(101,255)	(101,255)
- Community Bus Reserve	(5,999)	(2,749)	(2,749)
- Asset Replacement Fund - Frankland River Bo	(22,030)	(14,423)	(14,423)
- Asset Replacement Fund - Cranbrook Bowling	(22,030)	(14,423)	(14,423)
- Sundry Equipment Reserve	(9,294)	(4,121)	(4,121)
- Frederick Square Maintenance Reserve	(5,310)	(3,177)	(3,177)
Sundry Creditors	(118,571)	(92,819)	(92,819)
Surplus/(Deficit)	<u>1,084,289</u>	<u>871,682</u>	<u>871,682</u>

Difference:

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

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

24. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR

The Council did not raise any specified area rates in the 2012/2013 financial year.

25. SERVICE CHARGES - 2012/13 FINANCIAL YEAR

The Council did not raise any service charges in the 2012/2013 financial year.

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Sundry Debtors Rate Assessment	Write-Off	N/A	1,024	0
	Write-Off	N/A	115	500
			1,139	500

The Council did not offer a rate discount for the 2012/2013 financial year.

The Council have a policy to write off any rates and sundry debtor penalty interest amount that is less than \$5.00.

A prize draw was conducted as an incentive for the prompt payment of property rates accounts. All ratepayers who paid their account in full by the due date (5 September 2012) were eligible for a prize. Prize winners were drawn at random and prizes consisted of a refund of property rates up to the value of \$1,000 and other prizes donated by local businesses.

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

29. GRANT REVENUE

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

	2013	2012
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,383,030	1,574,320
Non-Operating Grants, Subsidies and Contributions	<u>2,165,784</u>	<u>1,660,597</u>
	<u><u>3,548,814</u></u>	<u><u>3,234,917</u></u>
By Program:		
Governance	21,538	8,790
General Purpose Funding	1,783,341	1,710,544
Law, Order, Public Safety	326,713	45,403
Health	0	0
Education and Welfare	0	0
Housing	51,262	1,570
Community Amenities	8,908	31,152
Recreation and Culture	91,128	75,120
Transport	1,099,182	1,266,109
Economic Services	121,087	49,974
Other Property and Services	<u>45,655</u>	<u>46,255</u>
	<u><u>3,548,814</u></u>	<u><u>3,234,917</u></u>

30. ELECTED MEMBERS REMUNERATION

2013	2013	2012
\$	Budget	\$
	\$	

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

Meeting Fees	47,500	50,000	50,000
President's Allowance	6,000	6,000	6,000
Deputy President's Allowance	1,500	1,500	1,500
Travelling Expenses	0	500	1,162
Telecommunications Allowance	<u>5,700</u>	<u>6,000</u>	<u>6,000</u>
	<u><u>60,700</u></u>	<u><u>64,000</u></u>	<u><u>64,662</u></u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2013	2012
	<u><u>27</u></u>	<u><u>27</u></u>

32. MAJOR LAND TRANSACTIONS

The Council did not have any Major Land Transactions during the 2012/2013 financial year and currently has no land held for resale.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2012/2013 financial year.

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

34. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,855,676	1,612,015	1,855,676	1,612,015
Receivables	455,975	342,337	455,975	342,337
Investments	64,002	65,522	64,002	65,522
	<u>2,375,653</u>	<u>2,019,874</u>	<u>2,375,653</u>	<u>2,019,874</u>
Financial Liabilities				
Payables	130,234	103,636	130,234	103,636
Borrowings	465,704	535,194	431,822	435,099
	<u>595,938</u>	<u>638,830</u>	<u>562,056</u>	<u>538,735</u>

Fair value is determined as follows:

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

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2013	2012
	\$	\$
Impact of a 10% (*) movement in price of investments:		
- Equity	6,400	6,552
- Statement of Comprehensive Income	6,400	6,552

Notes:

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

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

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

- Equity	18,557	16,755
- Statement of Comprehensive Income	18,557	16,755

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2013	2012
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	98.00%	69.00%
- Overdue	2.00%	31.00%

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings**

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2013</u>					
Payables	130,234			130,234	130,234
Borrowings	<u>101,487</u>	<u>296,958</u>	<u>185,599</u>	<u>584,043</u>	<u>465,704</u>
	<u><u>231,721</u></u>	<u><u>296,958</u></u>	<u><u>185,599</u></u>	<u><u>714,277</u></u>	<u><u>595,938</u></u>
<u>2012</u>					
Payables	103,636			103,636	103,636
Borrowings	<u>101,487</u>	<u>324,206</u>	<u>259,838</u>	<u>685,532</u>	<u>535,193</u>
	<u><u>205,123</u></u>	<u><u>324,206</u></u>	<u><u>259,838</u></u>	<u><u>789,168</u></u>	<u><u>638,829</u></u>

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (Continued)**

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2013</u>								
Payables								
Borrowings								
Fixed Rate								
Debtentures	26,015					439,689	465,704	6.10%
Weighted Average Effective Interest Rate	6.19%					6.10%		
<u>Year Ended 30 June 2012</u>								
Payables								
Borrowings								
Fixed Rate								
Debtentures		54,496				631,036	685,532	6.11%
Weighted Average Effective Interest Rate		6.19%				6.10%		

**INDEPENDENT AUDITOR'S REPORT
TO THE RATEPAYERS OF THE SHIRE OF CRANBROOK**



Report on the Financial Report

We have audited the accompanying financial report of the Shire of Cranbrook, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have followed applicable independence requirements of Australian professional ethical pronouncements.

INDEPENDENT AUDITOR'S REPORT TO THE RATEPAYERS OF THE SHIRE OF CRANBROOK

Auditor's Opinion

In our opinion the financial report of the Shire of Cranbrook is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- (a) giving a true and fair view of the Shire's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Other Matters

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- (b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- (c) All necessary information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed in conducting our audit.
- (e) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and in our opinion these are:
 - i) Based on verifiable information; and
 - ii) Reasonable assumptions.



Russell Harrison, Partner

Lincolns Accountants and Business Advisers

70 - 74 Frederick Street, Albany WA

Dated this...th day of November 2013.

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

RATIO INFORMATION

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

	2013	2012	2011
Asset Consumption Ratio	0.835	N/A	N/A
Asset Renewal Funding Ratio	0.846	N/A	N/A

The above ratios are calculated as follows:

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

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

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