

Annual Report

2012-2013



Shire of
Chapman Valley
Love the Rural Life

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ELECTED MEMBERS

NORTH EAST WARD



**Cr John Collingwood
(President)**
RMB 572
Yetna WA 6532
☎ (08) 9923 3224
Term Expiry 2013



**Cr Peter Batten
(Deputy President)**
PO Box 3403
Bluff Point WA 6530
☎ (08) 9923 0695
Term Expiry 2013



Cr Anthony Farrell
308 Wandana Road
Yuna WA 6532
☎ (08) 9931 1030
Term Expiry 2015



Cr Pauline Forrester
PMB 24
Yuna WA 6532
☎ (08) 9920 1063
Term Expiry 2015



Cr Beverley Davidson
Lot 69 Waterfront Circle
Drummond Cove WA 6530
☎ (08) 9938 2559
Term Expiry 2013



Cr Trevor Royce
PO Box 866
Geraldton WA 6531
☎ (08) 9925 1026
Expiry 2015

SOUTH WEST WARD



Cr Peter Humphrey
12 Wittenoom Circle
White Peak WA 6532
☎ (08) 9938 3430
Term Expiry 2015



Cr David Bell
PO Box 3177
Bluff Point WA 6530
☎ (08) 9938 2524
Term Expiry 2013

COUNCIL EXECUTIVE STAFF



Maurice Battilana
Chief Executive Officer



Simon Lancaster
Manager for Planning



Anthony Abbott
Building / Projects Officer



Earl O'Donnell
Senior Ranger

MINUTES OF PREVIOUS ELECTORS MEETING



Shire of
Chapman Valley
Love the Rural Life

UNCONFIRMED MINUTES

**ANNUAL GENERAL MEETING OF ELECTORS
WEDNESDAY 6TH FEBRUARY 2013
COUNCIL CHAMBERS NABAWA
6.00PM**

Unconfirmed Minutes Shire of Chapman Valley Annual General Electors Meeting 6 February 2013

DISCLAIMER



Shire of
Chapman Valley
Love the Rural Life

No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on

WRITTEN CONFIRMATION

Of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

Stuart Billingham
CHIEF EXECUTIVE OFFICER

Unconfirmed Minutes Shire of Chapman Valley Annual General Electors Meeting 6 February 2013

1.0 DECLARATION OF OPENING

The Chairman, Cr J Collingwood – (President) declared the meeting open at 6.00pm.

2.0 RECORD OF ATTENDANCE

2.1 Present

a. Councillors

Member	Ward
Cr John Collingwood - President	North East Ward
Cr Peter Batten – Deputy President	North East Ward
Cr Pauline Forrester	North East Ward
Cr Beverly Davidson	North East Ward
Cr Peter Humphrey	South West Ward
Cr David Bell	South West Ward

b. Staff

Officer	Position
Mr Stuart Billingham	Chief Executive Officer
Mrs Debby Barndon	Manager of Finance
Mrs Karen McKay	Executive Assistant (Minute Taker)
Mr Earl O'Donnell	Senior Ranger
Mr Ken Barndon	Works Supervisor
Mr Simon Lancaster	Manager of Planning

c. Visitors

Name	Name
Mrs Sue Collingwood	
Mr Tony Warr	
Mrs Anne Bell	

2.2 Apologies

Councillor	Ward
Cr Trevor Royce	North East Ward
Cr Anthony Farrell	North East Ward

3.0 CONFIRMATION OF MINUTES FROM PREVIOUS ANNUAL ELECTORS MEETING HELD ON WEDNESDAY 21 MARCH 2012

MOVED: MRS COLLINGWOOD

SECONDED: MR WARR

That the Minutes of the Annual General Meeting of Electors held on Wednesday 21 March 2012 be confirmed.

CARRIED
Voting 9/0
Minute Reference AEM 02/13 - 1

4.0 RECEIVING OF THE ANNUAL REPORT 2011/2012

4.1 PRESIDENTS REPORT

Cr Collingwood thanked inside and outside staff for their hard work during the past 12 months.

MOVED: CR FORRESTER

SECONDED: CR DAVIDSON

That the President's Report be received.

CARRIED

Voting 9/0

Minute Reference AEM 02/13 - 2

Cr Bell and Mrs Bell entered Chambers at 6.08pm

4.2 CHIEF EXECUTIVE OFFICERS REPORTS

Mr S Billingham addressed the meeting and went through his report.

MOVED: MRS COLLINGWOOD

SECONDED: CR FORRESTER

That the Chief Executive Officers Report be received.

CARRIED

Voting 9/0

Minute Reference AEM 02/13 - 3

4.3 2011/2012 ANNUAL FINANCIAL STATEMENTS

MOVED: CR HUMPHREY

SECONDED: CR FORRESTER

That the 2011/2012 Annual Financial Statements be received.

CARRIED

Voting 9/0

Minute Reference AEM 02/13 - 4

4.4 2011/2012 AUDIT REPORT

MOVED: CR DAVIDSON

SECONDED: CR HUMPHREY

That the 2011/2012 Audit Report be received.

CARRIED

Voting 9/0

Minute Reference AEM 02/13 - 5

Unconfirmed Minutes: Shire of Chapman Valley Annual General Electors Meeting 6 February 2013

5.0 GENERAL BUSINESS

Mr Tony Warr questioned what has the Council spent on Oakajee and what is going to happen now that it is not going ahead.

Mr Lancaster answered that Council has mainly spent money on time from Planning staff.

Mr Warr questioned about the DRUGARM proposal for the Rehabilitation Centre

Cr Collingwood answered that a public meeting was held on Monday 4 February 2013 and the item will go before the March Council meeting.

6.0 CLOSURE

The Presiding Member thanked members, ratepayers, visitors and staff for attending and declared the electors meeting closed at 6.17pm.

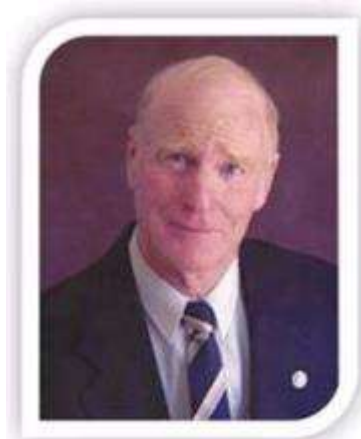
Unconfirmed Minutes Shire of Chapman Valley Annual General Electors Meeting 6 February 2013

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Reports

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PRESIDENTS ANNUAL REPORT TO ELECTORS



Cr John Collingwood

INTRODUCTION

This report covers the 2012/2013 financial year. This year has seen the resignation of Mr Stuart Billingham as the Chief Executive Officer with his departure in mid July 2013. I take this opportunity to thank Stuart for his time and wish him and his family the best in the future.

As previously reported, Council continues to meet the demands of the State government in developing its compulsory plans for Integrated Planning and Reporting, with the *Corporate Business Plan* and *Strategic Community Plan* being adopted by Council. It is expected the supporting Plans will all be finalised and adopted by Council during 2013/2014

The Shire continues to have positive population growth and Council strives to ensure the shire administration and works continues to deliver quality services to its residents.

MIDWEST DEVELOPMENT COMMISSION - MID WEST INVESTMENT PLAN (MWIP)

The Shire of Chapman Valley has the following projects identified within the MWIP.

- Oakajee Deep-water Port and Rail link including Oakajee to Narngulu Infrastructure Corridor (ONIC)
- Mobile phone coverage and black spots – in progress
- East Bowes Road upgrade – in progress

OAKAJEE INDUSTRIAL ESTATE & DEEP WATER PORT DEVELOPMENTS

The Oakajee Industrial Estate and Deep Water Port development, along with associated infrastructure (e.g. Oakajee – Narngulu Industrial Corridor) has slowed during the 2012/2013 year to global economic circumstances.

I still believe the Oakajee project is integral to mineral resource development in the mid-west, which is no more evident than the continual demand and stress being placed upon the existing Geraldton Port facilities as mining ventures expand in this region. I remain confident developments at Oakajee are still progressing and will be recognised sometime in the future.

TOWNSCAPE FACILITIES

The Council has completed the new playground facilities at the Nabawa Oval with the assistance of Lotterywest funding and labour from the Geraldton Greenough Prison. The Hon Mr Brian Ellis opened the playground on 21 November 2012. The Shire continues to maintain the Nabawa Oval to a high standard for football and cricket and it is disappointing the Chapman Valley Football Club will not be training at the facility in the 2012/13 season.

Council worked with the Parkfalls Residents to develop a Management Plan for the recreational precinct located at Parkfalls. After significant consultation the resultant Management Plan will guide Council and the residents in this area well into the future. However, the issue now is how Council will resources the expectations identified in the Plan and I request residents in this Estate to be patient as Council looks at the ways and means at its disposal to implement the Plan.

COMMUNITY SERVICES

The past twelve months has seen the following projects being initiated; however not all had been completed by the end of the financial year:

- Menshed
- Yuna Community Centre
- Old Roads Board Building

Funds permitting I am hopeful these projects will be well underway, if not completed within the near future.

VOLUNTEER BUSH FIRE BRIGADES

The work of the local bush fire brigades continues to provide the community with an assurance that active and well trained units are available to assist in cases of emergency. These volunteers continue to do an excellent job and I once again commend them all for their efforts over the past and previous years.

COUNCIL MEMBERSHIPS

The make-up of the Council during 2012/2013 was:

North East Ward

Cr John Collingwood (President)
Cr Peter Batten (Deputy President)
Cr Pauline Forrester
Cr Bev Davidson
Cr Trevor Royce
Cr Anthony Farrell

South West Ward

Cr David Bell
Cr Peter Humphrey

I wish to extend my sincere appreciation to Councillor Peter Batten for his contribution and support as the Deputy President and to all other Councillors, both past and present, for their valued contribution throughout the year and trust the ongoing good natured and amiable working relationship will continue for the betterment of the community for many years to come.

CONCLUSION

I take this opportunity to thank Councillors and all staff for their excellent contribution to the operations of the Shire of Chapman Valley throughout the 2012/2013 year.

Finally, I again wish to extend my appreciation to those members of the community who have co-operated with Council in the areas of supplying road building material, water, land resumption, contribution toward works, volunteer labour for community projects etc., as co-operation is invaluable for Council to maintain and upgrade roads to a more desirable standard for the ever increasing heavy haulage traffic we have on our roads today.



John Collingwood
SHIRE PRESIDENT

CHIEF EXECUTIVE OFFICER'S ANNUAL REPORT

2012/2013



Maurice Battilana
Chief Executive Officer

INTRODUCTION

It is with pleasure I provide the following information to the Ratepayers and Electors of the Shire of Chapman Valley and include the statutory reporting requirements for the 2012/2013 financial year.

I have recently returned to the position of Chief Executive Officer with the Shire of Chapman Valley after leaving this position approximately seven years ago. My previous tenure in the position was for a period of approximately 7 ½ years and my return felt very much like coming back home.

The reported items here are reflective of the efforts of Councillors, staff and my predecessor, Mr Stuart Billingham as Stuart held the position of Chief Executive Officer for the 2012/2013 financial year.

The work ethic and dedication of both the inside and outside workforces at the Shire remains at the highest level and as previously reported is the most valuable asset of an organisation. In my short time back I have notice the Elected Members and staff rapport is as high as it was during my previous time at the Shire of Chapman Valley, which can only lead to a harmonious working environment.

ROAD WORKS

Council continues to have an extensive road works program each year and works were carried out on various roads including the following roads:-

East Bowes Road
Dartmoor Road
Nabawa Yetna Road – Blackspot
Nolba Road – Blackspot carry over

Roadworks remain Council's most significant area of expenditure and allocation of resources. The East Bowes Road reconstruction (approx.. \$2.84M over 3 stages/2 years) funded by Royalties for Regions, Roads to Recovery and Shire Funds is the major road works project the Shire has taken on during 2012/2013, which will hopefully be completed during 2013/2014.

In the 2012/2013 year Council spent a total of \$ \$1,390,832 on road construction and \$959,013 on road maintenance.

PLANT & EQUIPMENT

In accordance with the ten year plant replacement programme Council has continued to update items of plant and equipment in the 2012/2013 financial year to achieve greater efficiencies and minimise maintenance costs. This has seen the acquisition of the following plant items:-

Ford Ranger Crew Cab Turbo – Building
Toyota Landcruiser V8 – Ranger (FESA)
Ford Px Ranger – Planning
Toyota Prado T/D Wagon GXL – CEO
Caterpillar Olympian Diesel Generator
Ford Px Ranger 4x2 2-2litre turbo – Gardener
Coast Mac 4.5t plant trailer

STAFF

The following staff movements occurred during the reporting period:

Departures:

- Ken Barndon – Works Supervisor
- Debby Barndon - Accountant

Arrivals:

- Jaeleen Gronow – Customer Service / Records Officer – 3 Days per week
- Pat Clarke – Customer Service / Records Officer – 2 Days per week

I wish departing staff all the very best for the future and welcome new staff to the organisation.

It is pleasing to note the significant drop in staff turnover during 2012/2013 in comparison to previous years. Staff are the single most valued commodity of any organisation and the retention of staff is imperative to ensuring high productivity and the smooth operations of the organisation.

I take this opportunity to thank all staff for their dedication and loyalty to the Shire and the community.

PUBLIC INTEREST DISCLOSURE ACT 2003

In the year under review, Council received no reports for the reporting period under the *Public Interest Disclosure Act 2003*.

LOCAL PLANNING SCHEME No.2 & BULLER ENVIRONMENTAL REVIEW

Council resolved at its 19th May 2010 meeting to adopt the draft Shire of Chapman Valley Local Planning Scheme No.2, and the Environmental Protection Authority advised on 9 July 2010 that Scheme No.2 should be assessed under Part IV Division 3 of the *Environmental Protection Act 1986* relevant to the proposed Buller 'Development' zone.

Scheme No.2 and the Shire prepared Buller Environmental Review were advertised concurrently from 23 November 2010 to 23 February 2011. The Minister for Environment made determination on 4 June 2013 in relation to the Buller Environmental Review and Scheme No.2 was then in position to present to the 17 July 2013 meeting of Council for its adoption and forwarding to the Minister for Planning seeking final approval.

REGIONAL COOPERATION

Shire staff continued to provide a regular town planning service to the Shire of Coorow and Shire of Northampton during the 2012/2013 year and an as-required service to other local governments including the Shire of Upper Gascoyne and Shire of Carnamah. Council uses the services of the Environmental Health Officer from the Shire of Northampton as required. These arrangements

demonstrate the Shire of Chapman Valley's commitment to working with other local governments in this region to ensure a high quality service is delivered to its community.

The Shires of Chapman Valley, Irwin and Northampton formed the *Batavia Regional Group* for the purpose of determining regional projects to be funded through the Royalties for Regions Country Local Government Fund (CLGF) program. The Shire of Chapman Valley allocated the CLGF assigned to it for upgrade works on the East Bowes Road.

REPORT ON THE SHIRE OF CHAPMAN VALLEY PLAN FOR THE FUTURE – LOCAL GOVERNMENT ACT 1995 - SECTION 5.53(2)(e)

In June 2007 Council adopted the Strategic Plan for the Future direction of the Shire for the period 2007/2008 to 2012/2013.

In accordance with the newly introduced legislation the Shire commenced the process of developing the required Integrated Planning & Reporting (IPR) documents to complement the Plan for the Future requirements of the Local Government Act, 1995, (Section 5.53(2)(e)) and associated legislation.

At the 30th June 2013 the Shire had completed and adopted the following Integrated Plans:

- Corporate Business Plan; and
- Strategic Community Plan

At the 30th June 2013 Council was still in the process of completing the subsidiary Plans to support the Corporate Business & Strategic Community Plan i.e.

- Asset Management Plan;
- Long Term Financial Plan; and
- Workforce Plan.

As the full integrated planning process was incomplete at 30th June 2013 it was not possible to report on major initiatives formally proposed to commence or continue into the next financial year as required by legislation.

It is anticipated all integrated plans will be completed and adopted by Council in 2013/2014.

One of the requirements to receive Royalties for Regions (Country Local Government Fund) grant's is Council must prepare a Forward Capital Works Plan for at least five years from 2010/11. This plan must comply with the guidelines set down by the Department of Regional Development. Council has completed and updated its Forward Capital Works Plan; however, with the State Government's removal of the Country Local Government Fund program and the introduction of IPR the Forward Capital Works Plan has become redundant.

PAYMENTS TO EMPLOYEES (SECTION 5.53(2)(g) LOCAL GOVERNMENT ACT 1995)

In accordance with section 5.53(2)(g) of the *Local Government Act* 1995 and Clause 19B of the *Local Government (Administration) Regulations* 1996, employee's payments equal to, or in excess of \$100,000.00 (cash component) are required to be recognised in the Shire's Annual Report i.e.

Range – In Increments of \$10,000	Number of employees within each Range
130,000 to 140,000	1

NATIONAL COMPETITION POLICY

Clause 7 Statement - LR3

The Shire of Chapman Valley completed the full review of all Local Laws during 2007/2008 financial year and adopted the new local laws, which now all comply with the requirements of the National Competition Policy.

Clause 7 Statement – Competitive Neutrality

As none of the Shire of Chapman Valley activities derived an annual income in excess of \$200,000, it has not been necessary for Council to implement the Competitive Neutrality Principles of the National Competition Policy.

DISABILITY SERVICES

In accordance with section 29 (2) of the *Disability Service Act 1993*, it is a requirement for the Shire of Chapman Valley to report on outcome based activities highlighted in the Disability Service Plan (now known as the Disability Access and Inclusion Plan-DAIP) in this report.

Council undertook a full review of its Disability Service Plan in 2012 and adopted its new plan in August 2012 for the period 2012 to 2016

Under the *Disability Services Act 1993*, and as a part of the DAIP, each Local Government Authority has an annual reporting responsibility. The following progress report was presented to the Disability Services Commission:

1. For 2012/2013, please indicate in each of the outcome areas of your DAIP:

- number of strategies that were planned
- number of strategies that were completed
- number of strategies progressed through contractors.

	Number of strategies planned (Strategies planned whether implemented or not).	Number of strategies completed (Strategies that were completed. Include on-going strategies).	Number of strategies progressed through contractors (Strategies implemented by contractors. Not the number of contractors).
Outcome 1	2	1	0
Outcome 2	3	3	2
Outcome 3	1	1	0
Outcome 4	0	0	0
Outcome 5	0	0	0
Outcome 6	1	1	0

2. For 2012/2013, how have you informed agents and contractors of your Disability Access and Inclusion Plan? (please tick)

Provided a copy of your agency DAIP	
Provided a link to the DAIP	✓
Sent a letter	
Referenced in a contract(s)	✓
Referenced in a contract variation(s)	

3. Please provide a brief description of any significant DAIP initiatives undertaken by, or on behalf of your organisation by agents and contractors, in 2012/2013.

Disabled parking bays at the Chapman Valley Agricultural Show Grounds to enable easier access to the annual Chapman Valley Show. Bays are close by with level parking area. Disabled toilets are also available at the Chapman Valley Show.

Disabled public toilet access is now available in the Yuna townsite and Nanson Historical Society Museum.

More public seating is also available in Nanson.

More accessible play areas are now available in Nabawa townsite and Coronation Beach public areas.

Shire website is updated regularly and a new electronic newsletter is available to allow better communication.

STATE RECORDS ACT 2000 - STANDARD 2/PRINCIPAL 6

In accordance with the requirements of Standard 2, Principal 6 of the *State Records Act 2000*, I hereby report on how the Shire of Chapman Valley employees are complying with the Shire's Records Keeping Plan:

Item 6.1 - Staff Training, Information Sessions, Publications.

Activities to ensure staff awareness and compliance are being implemented in accordance with Council's endorsed Record Keeping Plan and will be an ongoing requirement of the organisation.

Item 6.2 – Performance Indicators in place

The following performance indicators have been developed to measure the efficiency and effectiveness of the Shire of Chapman Valley's record keeping system:-

A register is to be maintained by the Administration staff responsible for filing all records of:-
Records that cannot be located
Files that are missing and unable to be located

Item 6.3 – Agency Evaluation

The Shire of Chapman Valley's record keeping system will be continually reviewed and improved where possible in order to pursue best practise for the organisation. The current record keeping systems are assessed as being efficient and effective for the requirements of the organisation.

A new electronic filing system, Synergysoft Records, was acquired and installed at the end of the 2007/2008 financial year. I am pleased to report that administration staff will receive further training on the efficient use of this system.

REGISTER OF COMPLAINTS

In accordance with section 5.121 and of the *Local Government Act 1995* states the following:

5.121. Register of certain complaints of minor breaches

- (1) *The complaints officer for each local government is required to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c).*
- (2) *The register of complaints is to include, for each recorded complaint —*
 - (a) *the name of the council member about whom the complaint is made;*
 - (b) *the name of the person who makes the complaint;*

- (c) a description of the minor breach that the standards panel finds has occurred;
and
(d) details of the action taken under section 5.110(6)(b) or (c).

Section 5.53 (2)(hb) of the Local Government, 1995, stipulates the following details needs to be reported:

Number of complaints recorded in the register	How complaints were dealt with	Other details that the regulations require
8	All dealt with and resolved internally	Nil

CONCLUSION

The Shire of Chapman Valley continues to experience positive population growth in the face of declining economic growth of the resources sector. The Shire continues to strive and meet the growing demands for facilities and services that arise with this growth.

I look forward to working with the Council Elected Members, Staff and the Community to meet the challenges of the next 12 months at the Shire of Chapman Valley.



Maurice Battilana
CHIEF EXECUTIVE OFFICER

AUDITED FINANCIAL REPORT

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

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SHIRE OF CHAPMAN VALLEY

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 Chapman Valley 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 Chapman Valley 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

4th

day of DECEMBER

2013



Maurice Battilana
Chief Executive Officer

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Rates	22	1,892,828	1,930,153	1,859,671
Operating Grants, Subsidies and Contributions	28	1,741,666	906,100	3,011,505
Fees and Charges	27	344,573	451,062	481,817
Interest Earnings	2(a)	80,397	89,258	81,738
Other Revenue		<u>1,959,060</u>	<u>350</u>	<u>3,037</u>
		6,018,524	3,376,923	5,437,768
Expenses				
Employee Costs		(1,595,421)	(1,349,381)	(1,388,524)
Materials and Contracts		(1,910,466)	(1,905,095)	(2,713,127)
Utility Charges		(63,069)	(56,505)	(69,058)
Depreciation on Non-Current Assets	2(a)	(1,157,518)	(665,571)	(679,984)
Interest Expenses	21(a)	(25,584)	(27,035)	(32,045)
Insurance Expenses		(172,167)	(170,028)	(158,614)
Other Expenditure		<u>(878,126)</u>	<u>(51,175)</u>	<u>(102,964)</u>
		(5,802,351)	(4,224,790)	(5,144,316)
		216,173	(847,867)	293,452
Non-Operating Grants, Subsidies and Contributions	28	2,204,838	2,447,366	817,797
Profit on Asset Disposals	20	4,759	2,000	1,818
Loss on Asset Disposal	20	<u>(46,337)</u>	<u>(22,600)</u>	<u>(25,507)</u>
Net Result		<u>2,379,433</u>	<u>1,578,899</u>	<u>1,087,560</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>2,379,433</u></u>	<u><u>1,578,899</u></u>	<u><u>1,087,560</u></u>

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

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Revenue				
Governance		55,990	11,932	38,129
General Purpose Funding		2,729,894	2,411,241	3,137,736
Law, Order, Public Safety		30,736	33,500	39,949
Health		5,862	7,000	7,386
Education and Welfare		6,948	10,500	6,862
Housing		24,565	22,880	29,195
Community Amenities		704,626	507,688	1,080,770
Recreation and Culture		2,045,514	77,880	78,885
Transport		196,566	180,502	899,413
Economic Services		21,694	45,800	46,092
Other Property and Services		196,139	70,000	73,351
	2(a)	<u>6,018,524</u>	<u>3,378,923</u>	<u>5,437,768</u>
Expenses				
Governance		(443,127)	(369,635)	(377,411)
General Purpose Funding		(221,557)	(218,734)	(179,758)
Law, Order, Public Safety		(133,483)	(119,570)	(107,058)
Health		(21,904)	(22,787)	(18,318)
Education and Welfare		(2,127)	(1,100)	(555)
Housing		(13,152)	(8,035)	(16,973)
Community Amenities		(1,189,016)	(1,158,775)	(1,380,368)
Recreation and Culture		(397,665)	(325,032)	(314,302)
Transport		(3,087,773)	(1,744,478)	(2,440,733)
Economic Services		(191,286)	(180,327)	(161,566)
Other Property and Services		(75,677)	(50,496)	(115,229)
	2(a)	<u>(5,776,767)</u>	<u>(4,198,969)</u>	<u>(5,112,271)</u>
Finance Costs				
Governance		(397)	(512)	(1,297)
Community Amenities		(3,401)	(3,435)	(4,613)
Rec & Culture		(3,968)	(3,979)	(3,262)
Transport		(17,828)	(19,895)	(22,873)
	2(a)	<u>(25,584)</u>	<u>(27,821)</u>	<u>(32,045)</u>
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		107,357	0	0
Education and Welfare		0	0	0
Community Amenities		0	26,215	0
Economic Services		88,864	85,000	0
Recreation & Culture		0	0	1,660
Transport		2,008,617	2,336,151	816,137
		<u>2,204,838</u>	<u>2,447,366</u>	<u>817,797</u>
Profit/(Loss) on Disposal of Assets				
Governance		(3,095)	(8,100)	
Law, Order, Public Safety		(31,723)		
Community Amenities		1,773	(1,000)	(2,076)
Transport		(8,533)	(11,500)	(21,613)
		<u>(41,578)</u>	<u>(20,600)</u>	<u>(23,689)</u>
Net Result		<u>2,379,433</u>	<u>1,578,899</u>	<u>1,087,560</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u>2,379,433</u>	<u>1,578,899</u>	<u>1,087,560</u>

This statement is to be read in conjunction with the accompanying notes.
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**SHIRE OF CHAPMAN VALLEY
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013**

	NOTE	2013 \$	2012 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,347,108	1,670,627
Trade and Other Receivables	4	292,668	261,745
Inventories	5	10,600	4,434
TOTAL CURRENT ASSETS		<u>2,650,376</u>	<u>1,936,806</u>
NON-CURRENT ASSETS			
Other Receivables	4	4,388	2,361
Inventories	5	49,480	49,480
Property, Plant and Equipment	6	6,351,525	5,340,296
Infrastructure	7	73,289,849	72,604,739
TOTAL NON-CURRENT ASSETS		<u>79,695,242</u>	<u>77,996,876</u>
TOTAL ASSETS		<u>82,345,618</u>	<u>79,933,682</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	418,310	313,755
Long Term Borrowings	9	186,585	168,773
Provisions	10	256,491	168,966
TOTAL CURRENT LIABILITIES		<u>861,386</u>	<u>651,494</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	195,343	381,522
Provisions	10	48,004	39,214
TOTAL NON-CURRENT LIABILITIES		<u>243,347</u>	<u>420,736</u>
TOTAL LIABILITIES		<u>1,104,733</u>	<u>1,072,230</u>
NET ASSETS		<u>81,240,885</u>	<u>78,861,452</u>
EQUITY			
Retained Surplus		23,237,692	20,757,421
Reserves - Cash Backed	11	1,147,047	1,247,885
Revaluation Surplus	12	56,856,146	56,856,146
TOTAL EQUITY		<u>81,240,885</u>	<u>78,861,452</u>

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

SHIRE OF CHAPMAN VALLEY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2012

	NOTE	RETAINED SURPLUS \$	RESERVES CASH INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		19,946,765	970,981	56,856,146	77,773,892
Comprehensive Income					
Net Result		1,087,560	0	0	1,087,560
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Total Comprehensive Income		<u>1,087,560</u>	<u>0</u>	<u>0</u>	<u>1,087,560</u>
Reserve Transfers		(276,904)	276,904	0	0
Balance as at 30 June 2012		<u>20,757,421</u>	<u>1,247,885</u>	<u>56,856,146</u>	<u>78,861,452</u>
Comprehensive Income					
Net Result		2,379,433	0	0	2,379,433
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Total Other Comprehensive Income		<u>2,379,433</u>	<u>0</u>	<u>0</u>	<u>2,379,433</u>
Reserve Transfers		100,838	(100,838)	0	0
Balance as at 30 June 2012		<u>23,237,692</u>	<u>1,147,047</u>	<u>56,856,146</u>	<u>81,240,885</u>

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

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

	NOTE	2013 \$	2013 Budget \$	2012 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,860,093	1,876,370	1,853,283
Operating Grants, Subsidies and Contributions		1,804,408	980,199	3,459,878
Fees and Charges		344,573	451,062	481,817
Interest Earnings		80,397	89,258	81,738
Goods and Services Tax		232,454	210,000	170,402
Other Revenue		7,210	350	3,037
		<u>4,329,135</u>	<u>3,607,239</u>	<u>6,050,155</u>
Payments				
Employee Costs		(1,494,697)	(1,349,381)	(1,351,022)
Materials and Contracts		(1,824,582)	(1,748,597)	(2,538,260)
Utility Charges		(63,069)	(56,505)	(69,068)
Insurance Expenses		(172,167)	(170,028)	(158,614)
Interest expenses		(27,811)	(27,035)	(30,124)
Goods and Services Tax		(285,098)	(210,000)	(235,291)
Other Expenditure		(47,575)	(51,175)	(102,964)
		<u>(3,914,999)</u>	<u>(3,612,721)</u>	<u>(4,485,333)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>414,136</u>	<u>(5,482)</u>	<u>1,564,822</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(439,307)	(360,350)	(500,455)
Payments for Construction of Infrastructure		(1,390,832)	(2,466,130)	(1,406,548)
Non-Operating Grants, Subsidies and Contributions		2,204,838	2,447,366	817,797
Proceeds from Sale of Plant & Equipment		56,013	52,000	86,182
Net Cash Provided By (Used In) Investing Activities		<u>430,712</u>	<u>(327,114)</u>	<u>(1,003,025)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(168,367)	(168,367)	(138,878)
Net Cash Provided By (Used In) Financing Activities		<u>(168,367)</u>	<u>(168,367)</u>	<u>(138,878)</u>
Net Increase (Decrease) in Cash Held		<u>676,481</u>	<u>(500,963)</u>	<u>422,919</u>
Cash at Beginning of Year		<u>1,670,627</u>	<u>1,670,627</u>	<u>1,247,708</u>
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>2,347,108</u></u>	<u><u>1,169,664</u></u>	<u><u>1,670,627</u></u>

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

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

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
Revenue				
Governance		55,990	481,088	38,129
General Purpose Funding		837,086	11,932	1,278,055
Law, Order, Public Safety		138,093	33,500	39,949
Health		5,862	7,000	7,386
Education and Welfare		6,948	10,500	6,862
Housing		24,565	22,880	29,195
Community Amenities		706,399	533,903	1,080,770
Recreation and Culture		2,045,514	77,880	80,545
Transport		2,208,159	2,516,653	1,717,368
Economic Services		110,558	130,800	46,092
Other Property and Services		196,139	70,000	73,351
		<u>6,335,293</u>	<u>3,895,136</u>	<u>4,397,712</u>
Expenses				
Governance		(446,619)	(218,734)	(176,926)
General Purpose Funding		(221,557)	(378,247)	(381,540)
Law, Order, Public Safety		(165,206)	(119,570)	(107,058)
Health		(21,904)	(22,787)	(18,318)
Education and Welfare		(2,127)	(1,100)	(555)
Housing		(13,152)	(8,035)	(16,973)
Community Amenities		(1,192,417)	(1,163,210)	(1,387,813)
Recreation and Culture		(401,623)	(329,011)	(317,554)
Transport		(3,117,120)	(1,775,873)	(2,486,281)
Economic Services		(191,286)	(180,327)	(161,566)
Other Property and Services		(75,677)	(50,495)	(115,229)
		<u>(5,848,688)</u>	<u>(4,247,390)</u>	<u>(5,169,823)</u>
Net Result Excluding Rates		486,605	(351,254)	(772,111)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets due to Change to Regulation	2(a)	(1,951,850)	0	0
Revaluation losses recognised through Expenditure		830,541	0	0
Movement in Excess Rates		0	(53,783)	0
(Profit)/Loss on Asset Disposals	20	41,578	20,600	23,689
Movement in Deferred Pensioner Rates (Non-Current)		(2,025)	0	308
Movement in Employee Benefit Provisions (Non-Current)		96,315	0	5,987
Depreciation and Amortisation on Assets	2(a)	1,157,518	665,571	679,984
Capital Expenditure and Revenue				
Purchase Land and Buildings		(63,773)	(41,950)	(112,996)
Purchase Infrastructure Assets - Roads		(1,390,832)	(2,466,130)	(1,403,848)
Purchase of Infrastructure Assets - Parks and Ovals		0	0	(2,700)
Purchase Plant and Equipment		(367,542)	(285,900)	(325,900)
Purchase Furniture and Equipment		(4,245)	(12,500)	(54,127)
Purchase Tools and Equipment		(3,747)	(20,000)	(7,433)
Proceeds from Disposal of Assets	20	56,013	52,000	86,182
Repayment of Debentures	21	(168,367)	(168,367)	(138,878)
Proceeds from New Debentures	21	0	0	0
Self-Supporting Loan Principal Income		0	0	0
Transfers to Reserves (Restricted Assets)	11	(90,284)	(52,666)	(276,904)
Transfers from Reserves (Restricted Assets)	11	191,120	296,058	0
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	375,166	488,168	814,242
LESS Estimated Surplus/(Deficit) June 30 O/Fwd	22(b)	1,085,019	0	375,166
Total Amount Raised from General Rate	22(a)	<u>(1,892,828)</u>	<u>(1,930,153)</u>	<u>(1,859,671)</u>

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

**SHIRE OF CHAPMAN VALLEY
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 19 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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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. These assets have not previously been recognised.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116.

**SHIRE OF CHAPMAN VALLEY
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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Formed roads formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. 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. Rather, it is recorded on an asset inventory listing.

(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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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 16.

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 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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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 CHAPMAN VALLEY
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
(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, 138, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	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).
(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]	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 CHAPMAN VALLEY
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	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. It effects presentation only and is not expected to significantly impact the Council.
(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	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.
(vi) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	01 January 2013	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. This Standard is not expected to significantly impact on the Council's financial statements.

SHIRE OF CHAPMAN VALLEY
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	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.
(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	This Standard is not expected to significantly impact on the Council's financial statements. 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.
(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	Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 CHAPMAN VALLEY
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:

Significant Expenses:

Transport

830,541

0

The significant expense relates to the reduction in the fair value of the Shire's plant and equipment

Auditors Remuneration

- Audit of the financial report
- Financial Management Review
- Audit of grant funded projects
- Assistance with other matters

16,000
0
4,250
1,200

15,000
6,500
1,210
0

Depreciation

- Buildings
- Furniture and Equipment
- Plant and Equipment
- Tools and Equipment
- Roads
- Parks and Ovals

49,800
56,480
333,872
11,644
701,146
4,576

52,678
19,550
222,876
7,288
375,000
2,592

1,157,518

679,984

Interest Expenses (Finance Costs)

Debentures (refer Note 21(a))

25,584
25,584

32,045
32,045

(ii) Crediting as Revenue:

2013
\$

2013
Budget
\$

2012
\$

Interest Earnings

Investments

- Reserve Funds
- Other Funds

49,248
15,598

52,668
22,059

44,313
26,837

Other Interest Revenue (refer note 26)

15,551

10,030

10,588

80,397

84,757

81,738

2013
\$

2012
\$

Significant Revenue

Initial Recognition of Assets due to
Change to Regulation
Recreation and Culture

1,951,850

0

This significant revenue relates to the initial recognition of golf courses and showgrounds on Crown land under the Shire's control in accordance with amendments to the Financial Management Regulations. They have been classified as Other Revenue by Nature or Type.

SHIRE OF CHAPMAN VALLEY
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 Chapman Valley 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;
Includes fees, expenses and allowances paid to elected and committee members, election costs, insurance, subscription, conference expenses, council chamber expenses and members' entertainment. Also includes the allocation of administration expenses for the CEO and staff in preparation, administration and attendance at meetings and assisting elected members and other committees of Council. Research, development and preparation of policy documents, development of local laws, strategic planning, principal activity plans, annual budgets, annual financial reports, audit fees and the annual report.

ADMINISTRATION

In accordance with Legislative changes which were effective on 1st July 1997. General Administration costs have been allocated to the various programs of Council to reflect the true costs of services provided. Directly attributable costs have been recorded in the relevant program while indirect costs have been allocated using time spent by administration staff on tasks related to each of the programs as a basis.

GENERAL PURPOSE FUNDING

Revenue from rates levied, interest and fees on instalment arrangements and arrears, government subsidy for entitled pensioners and rates deferred, less discounts and concessions relating to rates levied. Expenditures incurred in administration and maintaining rate records, rating valuations, serving notices, postage, stationery, advertising, debt collection, printing, indirect administration costs etc. Income receivable from the WA Grants Commission and any other Government Grant of a general purpose nature. Interest earnings from deposits and investments, including reserve accounts. General overdraft expenses.

LAW, ORDER, PUBLIC SAFETY

Administration and operations on fire prevention services, including volunteer fire brigades, outlays on roadside clearing operations and other protective burning. Revenues include fines and penalties imposed under relevant Acts and fines, fees or charges for clearing fire breaks.
Administration enforcement and operations relating to the control of animals. Costs of impounding, destroying and disposal of stray animals. Revenues include dog registration fees, fines and penalties relating to straying animals, impounding and destruction fees. Ranger's expenses are collected here and apportioned throughout the various programs to which they relate.

HEALTH

Food quality and pest control, inspections of eating houses, lodging and boarding houses, itinerant food vendors, offensive trade, and any other outlays concerned with general health inspections and administration services provided by the Council.

EDUCATION AND WELFARE

Operation, improvements and maintenance of pre-school facilities; assistance to playgroups and other voluntary services. Annual awards and prizes to Nabawa and Yuna Primary Schools.

**SHIRE OF CHAPMAN VALLEY
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 (Continued)

HOUSING

Collection of revenue and expenditure in respect of the administration and operation of residential housing for council staff. The expenditure is reallocated to the relevant programmes using staff duties as a basis.

COMMUNITY AMENITIES

Administration and operation of domestic refuse collection and disposal services, including delivery to a regional disposal site. Provision and maintenance of rubbish disposal sites. Collection and disposal of public litter bins, special rubbish clean ups, special litter enforcement and control. Includes administration and operation of foreshore protection project. Administration and operation of town planning and regional development services. These include planning control, the preparation of town planning development schemes, zoning and rezoning. Costs associated with resumption of land for recreational purposes. Hosting of a Natural Resource Management Officer to assist community groups and landowners.

RECREATION AND CULTURE

Administration, provision and operation of public halls, community centre, sporting complex, ovals, swimming areas and beaches. Includes contributions towards operations, subsidies and improvements of sporting clubs, sporting facilities and recreational areas. Administration, provision and operation of local libraries and library services. Contributions towards heritage issues such as municipal inventory, local Historical society operations - museum development/improvement etc.

TRANSPORT

Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets and maintenance of depots. Purchase of plant used predominantly for the construction and maintenance of streets, roads, bridges etc. Operations relating to the licensing or regulating of traffic under the control of the local government. Includes vehicle registration, vehicle examination expenses and examination facilities.

ECONOMIC SERVICES

Eradication of noxious weeds and control of vermin. The development, promotion, support etc. of tourism and area promotion to attract tourists. Administration, inspection and operations concerned with application of the building standards including examination, processing and inspections services, swimming pool inspections etc. Revenues and outlays associated with water supply - standpipes.

OTHER PROPERTY AND SERVICES

Administration, inspection, and operation of work carried out on property or services not under the care, control and management of the Council. These include road works on private property. Public Works Overheads - Overheads incurred as the result of the use of direct labour, which is subsequently apportioned to the appropriate works and services absorbing the total expenditure. Includes expenditure incurred in the maintenance and operation of plant, Council's hire rate absorbing the total expenditure of plant running costs and usage. The total salaries and wages incurred during the year is recorded here and allocated over the various works and services to which it relates.

SHIRE OF CHAPMAN VALLEY
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		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 \$
Grant/Contribution	Function/ Activity							
Parklands Management	Community Amenities	500	0	(500)	0	0	0	0
Landcorp	Community Amenities	1,000	0	(1,000)	0	0	0	0
Declared Species Group Round 1	Community Amenities	21,617	0	(21,617)	0	0	0	0
Assessable Community Group	Community Amenities	16,155	0	(16,155)	0	0	0	0
Declared Species Group Round 1	Community Amenities	0	0	0	0	0	0	0
Muresby Invasive Species Mgt & Restoration Muresby stage 3	Community Amenities	0	0	0	0	50,000	(41,819)	8,181
Muresby Invasive Species Mgt & Restoration Muresby stage 2	Community Amenities	0	0	0	0	3,918	0	3,918
Total		39,272	0	(39,272)	0	53,918	(41,819)	12,099

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

	2013 \$	2012 \$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,187,961	422,742
Restricted - Reserves	1,147,048	1,247,885
Restricted - Unspent Grants	12,099	0
	<u>2,347,108</u>	<u>1,670,627</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	52,646	57,733
Water Strategy Reserve	13,204	12,795
Computer & Office Reserve	12,646	16,370
Legal Reserve	27,126	26,288
Unspent Grant & Loans Reserve	608	180
Land Development Reserve	114,706	146,942
Roadworks Reserve	107,496	157,810
Landcare Reserve	80,958	34,269
Building Reserve	635,838	631,939
Light Vehicle Reserve	101,820	163,558
	<u>1,147,048</u>	<u>1,247,885</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	93,350	62,643
Sundry Debtors	99,565	163,626
Withholding Tax Refundable	0	107
GST Receivable	99,753	35,369
	<u>292,668</u>	<u>261,745</u>
Non-Current		
Rates Outstanding - Pensioners	4,388	2,361
	<u>4,388</u>	<u>2,361</u>
5. INVENTORIES		
Current		
Fuel and Materials	10,600	4,434
	<u>10,600</u>	<u>4,434</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	19,433	19,433
Development Costs	30,047	30,047
	<u>49,480</u>	<u>49,480</u>

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

	2013 \$	2012 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Land Vested in and Under Control of Council - Cost	1,951,850	0
Land and Buildings - Cost	2,615,624	2,551,852
Less Accumulated Depreciation	(519,018)	(469,218)
Total Land and Buildings	<u>4,048,456</u>	<u>2,082,634</u>
Furniture and Equipment - Management Valuation 2013	167,445	0
Furniture and Equipment - Cost	0	530,489
Less Accumulated Depreciation	0	(294,838)
	<u>167,445</u>	<u>235,651</u>
Plant and Equipment - Independent Valuation 2013	1,841,573	0
Plant and Equipment - Management Valuation 2013	283,657	0
Plant and Equipment - Cost	0	3,936,169
Less Accumulated Depreciation	0	(941,340)
	<u>2,125,230</u>	<u>2,994,829</u>
Tools and Equipment - Management Valuation 2013	10,394	0
Tools and Equipment - Cost	0	209,065
Less Accumulated Depreciation	0	(181,873)
	<u>10,394</u>	<u>27,192</u>
	<u>6,351,525</u>	<u>5,340,296</u>

Reserves Vested in and Under the Control of Council - at Cost

In accordance with Local Government (Financial Management) Regulations 16(a) and 16(b) the Council is required to recognise as an asset;

- a) Crown land operated by a local government as a golf course, showground, racecourse, or other sporting or recreational facility of State or regional significance; and
- b) any structures or improvements on the land referred to in paragraph (a)

	2013 \$
Under this regulation the following land has been recognised as at 30 June 2013:	
- Yuna Golf Course (Crown Reserve 28869)	713,850
- Chapman Valley Golf Course (Crown Reserve 23720)	678,000
- Nanson Showgrounds (Crown Reserve 7953)	560,000
	<u>1,951,850</u>

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Plant and Equipment

The majority of the Shire's Plant and Equipment was revalued at 30 June 2013 by independent valuers. 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 items of Plant and Equipment that the independent valuers were unable to provide values for have been revalued by management valuation, having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining useful life (Level 3 inputs in the fair value hierarchy.)

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 decrease of \$806,178 in the net value of the Shire's plant and equipment. All of this decrease is recognised in the net result in the Statement of Comprehensive Income as other expenditure in Transport and Other Property and Services.

Furniture and Equipment

The Shire's Furniture and Equipment were 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 decrease of \$15,971 in the net value of the Shire's furniture and equipment. All of this decrease is recognised in the net result in the Statement of Comprehensive Income as other expenditure in Transport and Other Property and Services.

Tools and Equipment

The Shire's Tools and Equipment were 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 decrease of \$8,392 in the net value of the Shire's tools and equipment. All of this decrease is recognised in the net result in the Statement of Comprehensive Income as other expenditure in Transport and Other Property and Services.

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

6. 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 and Buildings \$	Plant and Equipment (Level 2) \$	Plant and Equipment (Level 3) \$	Total Plant and Equipment \$	Furniture and Equipment (Level 3) \$	Tools and Equipment (Level 3) \$	Total \$
Balance as at the beginning of the year	2,082,634	2,824,479	170,350	2,994,829	235,651	27,182	5,340,296
Additions	63,773	107,357	280,185	367,542	4,245	3,747	439,307
(Disposals)	0	0	(97,091)	(97,091)	0	(500)	(97,591)
Revaluation - (Decrements)	0	(806,178)	0	(806,178)	(15,971)	(8,392)	(830,541)
Initial Recognition of assets Due to Changes to Regulations	1,951,860	0	0	0	0	0	1,951,860
Depreciation (Expense)	(49,800)	(284,085)	(49,787)	(333,872)	(56,480)	(11,644)	(451,796)
Carrying amount at the end of year	<u>4,048,457</u>	<u>1,841,573</u>	<u>283,657</u>	<u>2,125,230</u>	<u>167,445</u>	<u>10,393</u>	<u>6,361,525</u>

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

	2013 \$	2012 \$
7. INFRASTRUCTURE		
Roads - Management Valuation 2007	82,829,687	82,829,687
Roads - Cost	7,906,379	6,515,547
Less Accumulated Depreciation	<u>(17,547,196)</u>	<u>(16,846,050)</u>
	73,188,870	72,499,184
 Parks and Ovals - at cost	 116,974	 116,974
Less Accumulated Depreciation	<u>(15,996)</u>	<u>(11,419)</u>
	100,979	105,555
	 <u>73,289,849</u>	 <u>72,604,739</u>

The above Management Valuation in relation to Road Infrastructure was performed in 2007 and was not subject to the current requirements of Local Government (Financial Management) Regulations 17A. It was performed in accordance with AASB116. In accordance with the new regulations, all infrastructure assets are due for revaluation by 30 June 2015 (if not performed prior) and will be subject to the requirements of AASB 13 upon revaluation.

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

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	<u>Roads \$</u>	<u>Parks and Ovals \$</u>	<u>Total \$</u>
Balance at the beginning of the year	72,499,184	105,555	72,604,739
Additions	1,390,832	0	1,390,832
(Disposals)	0	0	0
Depreciation (Expense)	(701,146)	(4,576)	(705,722)
Carrying amount at the end of year	<u>73,188,870</u>	<u>100,979</u>	<u>73,289,849</u>

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

	2013 \$	2012 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	310,705	180,155
Other Tax Liabilities	34,088	23,775
Accrued Interest on Debentures	6,773	9,000
Accrued Expenditure	0	38,490
Accrued Salaries and Wages	66,744	62,335
	<u>418,310</u>	<u>313,755</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge		
Debentures	<u>186,585</u>	<u>168,773</u>
	<u>186,585</u>	<u>168,773</u>
Non-Current		
Secured by Floating Charge		
Debentures	<u>195,343</u>	<u>381,522</u>
	<u>195,343</u>	<u>381,522</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

Analysis of Total Provisions

Current	256,491	156,500
Non-Current	<u>48,004</u>	<u>39,214</u>
	<u>304,495</u>	<u>195,714</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2012	95,454	100,260	195,714
Additional provisions	<u>30,923</u>	<u>77,858</u>	<u>108,781</u>
Balance at 30 June 2013	<u>126,377</u>	<u>178,118</u>	<u>304,495</u>

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

	2013 \$	2013 Budget \$	2012 \$
11. RESERVES - CASH BACKET			
(a) Leave Reserve			
Opening Balance	57,733	57,733	55,275
Amount Set Aside / Transfer to Reserve	1,840	2,483	2,458
Amount Used / Transfer from Reserve	(6,927)	0	0
	<u>52,646</u>	<u>60,216</u>	<u>57,733</u>
(b) Water Strategy Reserve			
Opening Balance	12,796	12,796	12,251
Amount Set Aside / Transfer to Reserve	408	550	545
Amount Used / Transfer from Reserve	0	0	0
	<u>13,204</u>	<u>13,346</u>	<u>12,796</u>
(c) Computer & Office Equipment Reserve			
Opening Balance	16,370	16,370	15,673
Amount Set Aside / Transfer to Reserve	521	702	697
Amount Used / Transfer from Reserve	(4,245)	(15,000)	0
	<u>12,646</u>	<u>2,072</u>	<u>16,370</u>
(d) Legal Reserve			
Opening Balance	26,288	26,288	25,169
Amount Set Aside / Transfer to Reserve	838	1,130	1,119
Amount Used / Transfer from Reserve	0	0	0
	<u>27,126</u>	<u>27,418</u>	<u>26,288</u>
(e) Unspent Grants and Loans Reserve			
Opening Balance	180	180	0
Amount Set Aside / Transfer to Reserve	428	0	180
Amount Used / Transfer from Reserve	0	(180)	0
	<u>608</u>	<u>0</u>	<u>180</u>
(f) Land Development Reserve			
Opening Balance	146,942	146,942	140,686
Amount Set Aside / Transfer to Reserve	4,682	6,319	6,256
Amount Used / Transfer from Reserve	(36,918)	(57,885)	0
	<u>114,706</u>	<u>95,376</u>	<u>146,942</u>
(g) Roadworks Reserve			
Opening Balance	157,810	157,810	151,091
Amount Set Aside / Transfer to Reserve	5,024	6,786	6,719
Amount Used / Transfer from Reserve	(55,338)	(100,000)	0
	<u>107,496</u>	<u>64,596</u>	<u>157,810</u>
(h) Landcare Reserve			
Opening Balance	34,269	34,269	32,810
Amount Set Aside / Transfer to Reserve	51,189	1,474	1,459
Amount Used / Transfer from Reserve	(4,500)	0	0
	<u>80,958</u>	<u>35,743</u>	<u>34,269</u>
(i) Building Reserve			
Opening Balance	631,939	631,939	538,014
Amount Set Aside / Transfer to Reserve	20,149	27,173	93,925
Amount Used / Transfer from Reserve	(16,250)	(22,250)	0
	<u>635,838</u>	<u>636,862</u>	<u>631,939</u>

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

	2013 \$	2013 Budget \$	2012 \$
11. RESERVES - CASH BACKED (Continued)			
(i) Plant / Light Vehicle Reserve			
Opening Balance	163,558	163,558	12
Amount Set Aside / Transfer to Reserve	5,205	6,049	163,546
Amount Used / Transfer from Reserve	(66,943)	(100,743)	0
	<u>101,820</u>	<u>68,864</u>	<u>163,558</u>
TOTAL CASH BACKED RESERVES	<u>1,147,048</u>	<u>1,004,493</u>	<u>1,247,885</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.

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

Leave Reserve

- To be used to fund annual and long service leave requirements.

Plant/Light Vehicle Reserve

- To be used for the purchase of major plant and light vehicles

Water Strategy Reserve

- To be used for the construction and operational costs of facilities for fighting purposes

Computer and Office Equipment Reserve

- To be used to replace computers and major items of office equipment.

Unspent Grants and Loans Reserve

- To be used to quarantine unspent grants and loans.

Legal Reserve

- To be used to fund legal expenses incurred as a result of tribunals, hearings, litigation etc.

Land Development Reserve

- To be used for further subdivisional development in the Shire of Chapman Valley.

Roadworks Reserve

- To be used to fund road infrastructure projects.

Building Reserve Fund

- To be used for the construction of shire buildings or capital upgrades of existing shire buildings.

Landcare Reserve Fund

- To be used for Landcare related purposes as approved by Council.

All reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected.

The Building Reserve is expected to be utilised in 2013/14.

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

12. RESERVES - ASSET REVALUATION	2013	2012
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Roads		
Opening Balance	56,856,146	56,856,146
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>56,856,146</u>	<u>56,856,146</u>
 TOTAL ASSET REVALUATION RESERVES	 <u>56,856,146</u>	 <u>56,856,146</u>

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

13. 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>2,347,108</u>	<u>1,169,664</u>	<u>1,670,627</u>

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

Net Result	2,379,433	1,578,899	1,087,560
Depreciation	1,157,518	665,571	679,984
(Profit)/Loss on Sale of Asset	41,578	20,600	23,689
(Increase)/Decrease in Receivables	(20,325)	74,099	441,985
(Increase)/Decrease in Rates Excess	0	(53,783)	0
(Increase)/Decrease in Inventories	(6,166)	2,434	(1,528)
Increase/(Decrease) in Payables	130,420	134,064	106,452
Increase/(Decrease) in Accrued Expenditure	(38,490)	0	38,490
Increase/(Decrease) in Employee Provisions	96,315	20,000	5,987
Grants/Contributions for the Development of Assets	(2,204,838)	(2,447,366)	(817,797)
Initial Recognition of Assets due to Change to Regulation	(1,951,850)	0	0
Revaluation losses recognised through expenditure	830,541	0	0
Net Cash from Operating Activities	<u>414,136</u>	<u>(5,482)</u>	<u>1,564,822</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	10,000	10,000
Credit Card Balance at Balance Date	(76)	(18)
Total Amount of Credit Unused	<u>9,924</u>	<u>9,982</u>

Loan Facilities

Loan Facilities - Current	186,585	168,773
Loan Facilities - Non-Current	195,343	381,522
Total Facilities in Use at Balance Date	<u>381,928</u>	<u>550,295</u>

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

14. CONTINGENT LIABILITIES

There are no known contingent liabilities in respect of the year ended 30 June 2013.

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

The Council has no finance lease commitments as at 30 June 2013.

(b) Operating Lease Commitments

The Council has no operating lease commitments as at 30 June 2013.

(c) Capital Expenditure Commitments

The Council has not capital expenditure commitments as at 30 June 2013.

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

14. CONTINGENT LIABILITIES

There are no known contingent liabilities in respect of the year ended 30 June 2013.

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

The Council has no finance lease commitments as at 30 June 2013.

(b) Operating Lease Commitments

The Council has no operating lease commitments as at 30 June 2013.

(c) Capital Expenditure Commitments

The Council has not capital expenditure commitments as at 30 June 2013.

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

16. JOINT VENTURE

The Shire together with the Shire of Northampton have a joint venture arrangement with regard to the ownership of a speed display trailer.
The Shire together with the Shire of Northampton have a joint venture arrangement with regard to the provision of an Environmental Health.
The Shire together with the Shire of Coorow have a joint venture arrangement with regard to the provision of Town Planning Services.

	2013 \$	2012 \$
Non-Current Assets		
Plant & Equipment	8,168	8,168
Less: Accumulated Depreciation	(8,168)	(8,168)
	<u>0</u>	<u>0</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	593,990	665,663
General Purpose Funding	0	0
Law, Order, Public Safety	237,816	172,206
Health	0	0
Education and Welfare	0	0
Housing	182,395	177,204
Community Amenities	156,954	193,059
Recreation and Culture	2,959,603	990,305
Transport	72,525,759	72,606,532
Economic Services	119,956	0
Other Property and Services	2,463,032	2,738,197
Unallocated	3,106,113	2,390,516
	<u>82,345,618</u>	<u>79,933,682</u>

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

	2013	2012	2011
18. FINANCIAL RATIOS			
Current Ratio	1.844	1.160	1.948
Asset Sustainability Ratio	1.467	2.801	3.039
Debt Service Cover Ratio	7.000	5.744	11.753
Operating Surplus Ratio	0.069	0.111	0.528
Own Source Revenue Coverage Ratio	0.434	0.470	0.794
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 60 of this document.

Three of the 2013 ratios disclosed above are distorted by items of significant revenue and expenses relating to:

- The initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$1,951,850. (refer to Notes 1(g), 1(h) and 2(a)(ii) for further details). This forms part of operating revenue.
- The significant expense relating to the reduction in the fair value of the Shire's plant and equipment of amounting to \$830,541. (refer note 1(g) and 2(a)(i) for further details). This forms part of operating expenses.

These items form part of operating revenue and expenditure and have been included in the calculations above.

These items of significant revenue and expenditure are considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2013 column above would be as follows:

	2013
Debt Service Cover Ratio	1.219
Operating Surplus Ratio	(0.373)
Own Source Revenue Coverage Ratio	0.506

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

19. 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 \$
Council Housing Bonds	2,270	0	(350)	1,920
Bonds Hall Hire	667	840	(1,507)	0
Building Commission	1,061	4,867	(5,928)	0
CTF	3,248	7,659	(10,907)	0
Social Club	996	3,786	(3,881)	901
Contributions - Subdivisions	104,072	132,847	(43,422)	193,497
Post Box Deposits	220	540	0	760
Engineering Bonds	10,000	0	0	10,000
Undaimed Monies	10,024		(9,094)	930
Standpipe Card	0	100	0	100
Wakarena Heights Development	0	6,138	0	6,138
	<u>132,558</u>			<u>214,246</u>

20. 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 \$
Governance						
- Holden Caprice - CVT	34,913	39,600	31,818	31,500	(3,095)	(8,100)
Law, Order and Public Safety						
- Fire Truck Landrover *	11,851	0	0	0	(11,851)	0
- Fire Truck Landcruiser *	19,872	0	0	0	(19,872)	0
Town Planning						
- Ford Ranger	17,772	19,000	19,545	18,000	1,773	(1,000)
Transport						
- Bomag Roller	12,683	14,000	1,364	500	(11,319)	(13,500)
- Holden Rodeo	0	0	2,986	2,000	2,986	2,000
- Metal Spreader	500	0	300	0	(200)	0
	<u>97,591</u>	<u>72,600</u>	<u>56,013</u>	<u>52,000</u>	<u>(41,578)</u>	<u>(20,600)</u>

* The fire vehicles were disposed of in a previous financial year but were not removed from the asset register. The vehicles were returned to FESA and FESA replaced the vehicles.

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

21. 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 \$
Governance								
Building Extension - Loan 87	14,572		14,572	14,572	0	0	397	512
Recreation & Culture								
Upgrade Community Centre - L	68,704		6,167	6,167	62,537	62,537	3,958	3,979
Community Amenities								
Bulla Study - Loan 94	63,432		19,933	19,933	43,499	43,499	3,401	3,435
Transport								
Plant - Loan 92	106,790		41,001	41,001	65,789	65,788	4,318	5,289
Plant - Loan 93	214,680		67,810	67,810	146,870	146,870	9,504	10,610
Plant - Loan 95	82,117		18,894	18,894	63,233	63,233	4,006	4,016
	560,295	0	168,367	168,367	381,928	381,927	25,584	27,821

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/13

There were no new loans in 2012/13.

(c) Unspent Debentures

Council had no unspent debenture funds as at 30th June 2013 nor is it expected to have unspent debenture funds as at 30th June 2014.

(d) Overdraft

Council has not utilised an overdraft facility during the financial year, however one has been established for 2013/14.

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

22. 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 \$
Differential General Rate											
GRV/Other	9.7946	259	3,359,578	249,459	3,261		252,720	249,459	0	0	249,459
UV/Rural	0.7711	396	184,783,307	1,418,685	4,460	(208)	1,422,937	1,418,685	0	0	1,418,685
UV/Oakajee	1.7195	3	8,977,000	154,360	0	0	154,360	154,360	0	0	154,360
Sub-Totals		658	197,119,885	1,822,503	7,721	(208)	1,830,016	1,822,504	0	0	1,822,504
Minimum Rates	Minimum \$										
GRV/Other	630	165		103,950	0	0	103,950	103,950	0	0	103,950
UV/Rural	300	22		6,600	0	0	6,600	6,600	0	0	6,600
UV/Oakajee	300		0	0	0	0	0	0	0	0	0
Sub-Totals		187	0	110,550	0	0	110,550	110,550	0	0	110,550
Write-offs											
Excess Rates Paid 12/13							1,940,566				1,933,064
Less Excess Paid 11/12							0				(2,901)
							6,044				0
							(53,782)				0
Total Amount Raised From General Rates							1,892,828				1,930,153

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

22. 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>1,085,019</u>	<u>375,166</u>	<u>375,166</u>
<u>Comprises:</u>			
Cash - Unrestricted	1,187,960	422,742	422,742
Cash - Restricted	1,147,048	1,247,885	1,247,885
Cash - Unspent Grants	12,099	0	0
Rates - Current	93,351	62,643	62,643
Sundry Debtors	99,566	163,626	163,626
Withholding Tax Receivable	0	107	107
GST Receivables	99,753	35,369	35,369
Inventories			
- Fuel and Materials	10,600	4,434	4,434
 <u>Less:</u>			
Reserves - Restricted Cash			
- Leave Reserve	(52,646)	(57,733)	(57,733)
- Water Reserve	(13,204)	(12,796)	(12,796)
- Computer & Office Reserve	(12,646)	(16,370)	(16,370)
- Plant Reserve	0	0	0
- Legal Reserve	(27,127)	(26,288)	(26,288)
- Unspent Grants Reserve	(608)	(180)	(180)
- Land Development Reserve	(114,707)	(146,942)	(146,942)
- Roadworks Reserve	(107,496)	(157,810)	(157,810)
- Landcare Reserve	(80,958)	(34,269)	(34,269)
- Building Reserve	(635,838)	(631,939)	(631,939)
- Light Vehicle Reserve	(101,820)	(163,558)	(163,558)
Sundry Creditors	(310,704)	(180,155)	(180,155)
Accrued Interest on Debentures	(6,773)	(9,000)	(9,000)
Accrued Expenditure	0	(38,490)	(38,490)
Other ATO Liabilities	(34,088)	(23,775)	(23,775)
Accrued Salaries and Wages	(66,744)	(62,335)	(62,335)
Current Employee Benefit Provisions	(256,491)	(168,966)	(168,966)
Add back Component of Employee Liability not required to be funded	256,491	168,966	168,966
 Surplus/(Deficit)	<u><u>1,085,019</u></u>	<u><u>375,166</u></u>	<u><u>375,166</u></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 CHAPMAN VALLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2013**

23. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR

No specified area rates were imposed for 2012/13 financial year.

24. SERVICE CHARGES - 2012/13 FINANCIAL YEAR

No service charges were imposed for the 2012/13 financial year.

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

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount		0	0
Minimum Rate	Discount		0	0
			0	0
Photocopy Charge	Waiver		0	0
Rate Assessment	Write-Off		0	0

Council did not offer any discounts to ratepayers.

Council granted a waiver on rates to the Yuna CWA.

Also, any pensioner who opted to make payment of current rates by instalments was eligible for a waiver of the usual \$7 administration charge.

A waiver was made available to certain community groups who used the photocopier for community projects, to persons or groups who used the main hall in association with a community event and to community groups for private works plant hire. All of these concessions are at the absolute discretion of Council who considers support of these groups necessary for the overall benefit of the community.

A waiver was made available to certain community groups who hire Council plant for community projects. Any waiver was made at the complete discretion of Council and was to be applied for in writing to the Chief Executive Officer. Council considers support of these groups necessary for the overall benefit of the community.

Photocopy Charges are waived for certain community groups such as the local newsletter, St John Ambulance and Volunteer Bush Fire Brigade. Council considers support of these groups necessary for the overall benefit of the community.

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

26. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		10,624	6,617
Interest on Instalments Plan	5.50%		4,927	3,413
Sub-total of Interest			15,551	10,030
Charges on Instalment Plan		7	2,828	4,501
			33,930	14,531

Ratepayers had the option of paying rates in four equal instalments, due on 16th September 2012, 26th November 2012, 28th January 2013 and 28th March 2013. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2013 \$	2012 \$
Governance	0	900
General Purpose Funding	5,868	10,410
Law, Order, Public Safety	6,563	9,804
Health	5,862	7,386
Education and Welfare	6,948	6,862
Housing	22,456	26,478
Community Amenities	131,467	231,392
Recreation and Culture	80,056	78,886
Transport	9,247	8,825
Economic Services	17,317	42,656
Other Property and Services	58,789	58,218
	<u>344,573</u>	<u>481,817</u>

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

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

28. 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	1,741,666	3,011,505
Non-Operating Grants, Subsidies and Contributions	2,204,838	817,797
	<u>3,946,504</u>	<u>3,829,302</u>
By Program:		
General Purpose Funding	807,053	37,229
Law, Order, Public Safety	131,530	1,165,893
Health	0	30,144
Education and Welfare	0	0
Housing	2,109	2,717
Community Amenities	572,898	848,545
Recreation and Culture	13,608	1,660
Transport	2,195,926	1,727,581
Economic Services	88,944	400
Other Property and Services	134,436	15,133
	<u>3,946,504</u>	<u>3,829,302</u>

29. ELECTED MEMBERS REMUNERATION

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

	2013	2013	2012
	\$	Budget	\$
		\$	
Meeting Fees	16,590	20,440	20,440
President's Allowance	9,500	9,500	9,500
Deputy President's Allowance	2,375	2,375	2,375
Travelling Expenses	6,366	13,000	13,000
Telecommunications Allowance	8,238	1,000	1,000
	<u>43,069</u>	<u>46,315</u>	<u>46,315</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2013	2012
<u>28</u>	<u>23</u>

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

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2012/2013 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

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

33. 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	2,347,108	1,670,627	2,347,108	1,670,627
Receivables	297,056	264,106	297,056	264,106
	<u>2,644,164</u>	<u>1,934,733</u>	<u>2,644,164</u>	<u>1,934,733</u>
Financial Liabilities				
Payables	418,310	313,755	418,310	313,755
Borrowings	381,928	550,296	364,965	534,386
	<u>800,238</u>	<u>864,050</u>	<u>783,275</u>	<u>848,141</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

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

33. 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 1% ^(*) movement in interest rates on cash and investments:		
- Equity	23,471	16,706
- Statement of Comprehensive Income	23,471	16,706

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.

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

33. 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	78.00%	100.00%
- Overdue	12.00%	0.00%

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

33. 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.

	<u>2013</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	418,310	0	0	418,310	418,310
Borrowings	181,176	187,058	25,150	393,384	381,928
	<u>599,486</u>	<u>187,058</u>	<u>25,150</u>	<u>811,694</u>	<u>800,238</u>
	<u>2012</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	313,755	0	0	313,755	313,755
Borrowings	196,456	353,073	35,311	589,840	550,235
	<u>510,211</u>	<u>353,073</u>	<u>35,311</u>	<u>903,596</u>	<u>864,050</u>

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables Borrowings (Continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year Ended 30 June 2013</u>								
Payables Borrowings								
Fixed Rate Debentures		233,827	63,674	0	0	84,427	381,928	5.56%
Weighted Average Effective Interest Rate	0.00%	5.47%	5.47%	0.00%	0.00%	5.99%		
<u>Year Ended 30 June 2012</u>								
Payables Borrowings								
Fixed Rate Debentures	14,572	103,789	278,112	82,118	0	68,704	550,295	5.53%
Weighted Average Effective Interest Rate	5.58%	5.45%	5.45%	5.46%	5.99%	5.99%		

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

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information.

	2013	2012	2011
Asset Consumption Ratio	0.825	N/A	N/A
Asset Renewal Funding Ratio	0.350	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.

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INDEPENDENT AUDIT REPORT & MANAGEMENT REPORT

4 December 2013

Mr M Battilana
Chief Executive Officer
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Maurice



**AUDIT OF SHIRE OF CHAPMAN VALLEY
FOR THE YEAR ENDED 30 JUNE 2013**

We advise that we have completed the audit of your Shire for the year ended 30th June 2013 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely


GREG GODWIN
PARTNER

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY**

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Chapman Valley, which comprises the statement of financial position 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 Standards, 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 or 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 about 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 judgement, 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 Shire's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. 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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S OPINION

In our opinion, the financial report of the Shire of Chapman Valley 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, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 other 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) In relation to the Supplementary Ratio Information presented at page 60 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Date: 4 December 2013
Perth, WA

4 December 2013

Cr J Collingwood
The Shire President
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532



Dear Cr Collingwood

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2013

We advise that we have completed our audit procedures for the year ended 30 June 2013 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENTS ON RATIOS

Due to legislative changes, this year saw the introduction of six new ratios in the financial report. Seven of the eight reported in previous years were removed with only the current ratio remaining.

Whilst we accept it may take some time for the implication of these newer ratios to be fully understood, we thought we would take this opportunity to highlight those ratios which are currently outside industry benchmarks.

Debt Service Cover Ratio

This ratio measures Council's ability to service debt out of its uncommitted or general purpose funds available from its operations.

The Debt Service Cover Ratio for the year ended 30 June 2013 is 7.000 (2012: 5.744, 2011: 11.753), however, if the Debt Service Cover Ratio did not include the effect of the initial recognition of Land under the Shire's control as required by the Local Government (Financial Management) Regulations 1996 and the expense relating to the reduction in the fair value of the Shire's plant and equipment, the debt service cover ratio would be 1.219, below the industry benchmark of 5. In addition, we noted the Shire has budgeted to borrow an additional \$160,000 in the budget for the year ended 30 June 2014.

This may indicate debt management to be an issue and should be considered in the context of the overall financial position of Council.

Operating Surplus Ratio

The Operating Surplus Ratio measures Council's financial sustainability having regard to asset management and the community's service level needs.

COMMENTS ON RATIOS (CONTINUED)

Operating Surplus Ratio (Continued)

The Operating Surplus Ratio for the year ended 30 June 2013 has been reported as 0.069 (2012: 0.111, 2011: 0.528), however, if Council's operating revenue and operating expenses did not include the items mentioned above, the Operating Surplus Ratio for the year ended 30 June 2013 would be -0.373, a deterioration from prior years and below the industry benchmark of 0.000.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode Council's ability to maintain both its operational service level and asset base over the longer term, whilst a positive ratio which is consistently above 0.15 provides the Shire with greater flexibility in meeting operational service levels and asset management requirements.

Council and management should monitor this ratio and take corrective action as deemed necessary.

Own Source Revenue Coverage Ratio

The Own Source Revenue Coverage Ratio measures the Shire's ability to cover operating expenses from its own source revenue. The higher the ratio, the more self-reliant the Shire is.

The Own Source Revenue Coverage Ratio for the year ended 30 June 2013 is 0.434 (2012: 0.470, 2011: 0.794), however, if Council's operating expenses did not include the item mentioned above, the Own Source Revenue Coverage Ratio for the year ended 30 June 2013 would be 0.506.

As this ratio is below the industry benchmark of 0.6, Council needs to examine the level of its own source revenue given current levels of operating expenses in order to maintain and/or improve the current service level of its asset base.

We suggest it prudent for Council and management to monitor the levels and trends of all ratios as they strive to manage the scarce resources of the Shire.

REVALUATION OF ROAD INFRASTRUCTURE ASSETS

For the year ended 30 June 2013, the Shire of Chapman Valley has elected to maintain road assets carried at a previously revalued amount.

This matter was raised in our management report for the year ended 30 June 2012 and it is acknowledged management have planned a revaluation of roads for the year ended 30 June 2015 when all infrastructure assets are planned to be valued in accordance with new regulations.

Whilst compliance with the Australian Accounting Standards would require the revaluation of the Shire's road infrastructure to occur within 5 years of the last revaluation, given the current valuation is within materiality guidelines, this approach has been considered acceptable by us.

There were no other matters we wish to bring to your attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank the Chief Executive Officer, the manager of finance & administration and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



GREG GODWIN
PARTNER

Encl.