



**SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING
AGENDA & ATTACHMENTS**

**Clem Thompson Sports Pavilion, Stadium Road,
Tom Price**

**28 January 2015
Commencing at 11:30am**

SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit Committee Meeting of the Shire of Ashburton will be held on Wednesday 28 January 2015 at the Clem Thompson Sports Pavilion, Stadium Road, Tom Price commencing at 11:30 am.

The business to be transacted is shown in the Agenda.

Neil Hartley
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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1. DECLARATION OF OPENING

2. ATTENDANCE

2.1 PRESENT

Cr K White	Shire President, Onslow Ward
Cr L Rumble	Deputy Shire President, Paraburdoo Ward
Cr A Eyre	Ashburton Ward
Cr I Dias	Paraburdoo Ward

Mr N Hartley	Chief Executive Officer
Mr F Ludovico	Executive Manager Corporate Services
Ms L John	Finance Manager

2.2 APOLOGIES

2.3 APPROVED LEAVE OF ABSENCE

Nil

3. ANNOUNCEMENT OF VISITORS

Mr Wen Shien Chai (Chai) – Auditor - UHY Haines Norton will be contacted by telephone to address the Committee at 11:30am

4. DECLARATION BY MEMBERS

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting.

4.2 DECLARATIONS OF INTEREST

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Officer's Recommendation

That the Minutes of the Audit Committee held on 10 December 2014 be accepted as true and correct.

ATTACHMENT 5

6. TERMS OF REFERENCE

A revised term of reference was adopted by Council Agenda Item 13.4 Minute No. 11888 – Ordinary Meeting of Council 10 December 2014. The objectives of the Audit committee are detailed below.

Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

1. the enhancement of the credibility and objectivity of external financial reporting;
2. effective management of financial and other risks and the protection of Council assets;
3. compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
4. the coordination of any future internal audit function with the external audit; and
5. the provision of an effective means of communication between the external auditor, the CEO and the Council.

7. AGENDA ITEMS

7.1 REVIEW OF 2013/14 INDEPENDENT AUDIT REPORT AND MANAGEMENT REPORTS

FILE REFERENCE:	FM09.13.14
AUTHOR'S NAME AND POSITION:	Frank Ludovico Executive Manager Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not applicable
DATE REPORT WRITTEN:	20 January 2015.
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in the proposal.
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

The Auditors conducted the Annual Financial Audit for 2013/14 during October – December 2014.

This Item discussed the outcomes of that Audit.

Background

Audit procedures have been completed and the Audit Report for the year ended 30 June 2014 has been prepared by Council Auditors UHY Haines Norton

Attached are Council's Annual Financial Statements, Audit Report, Management Letter and Interim Audit report.

**ATTACHMENT 7.1A
ATTACHMENT 7.1B
ATTACHMENT 7.1C**

Comment

The issues brought to the attention of Council in the above reports are:

Interim Audit report (Attachment 7.1B)	
Tender Register	Processes for tender register have improved. This will be further enhanced when recently appointed Procurement Manager reviews our current systems
Annual and Primary returns	Processes and procedures have been put in place to address this issue.
Annual Report	Processes and procedures have been put in place to address this issue.
Investment policy	Investment policy was reviewed and adopted Council Agenda Item 13.6 Minute No. 11809 – Ordinary Meeting of Council 18 June 2014.
Purchases, payments and payables	Processes and procedures have been put in place to address this issue.

Audit Committee Meeting 28 January 2015

Bank reconciliations	Processes and procedures have been put in place to address this issue.
Month end procedures	Processes and procedures have been put in place to address this issue.
Disaster and Emergency plans	The preparation of this Plan is continuing. It is planned to be finalised by April 2015.
Status of Fair Value Accounting	<p>Fair Value of Plant & Equipment was completed for 30 June 2013 and for Land and Buildings in 30 June 2014.</p> <p>There is a requirement for Infrastructure Assets Fair Valuations to be completed by 30 June 2015. Work has progressed on Infrastructure Assets to be completed within the required timeframe.</p> <p>Asset systems and records for Plant & Equipment and Land & Buildings have been updated for fair value reporting.</p> <p>Asset Capitalisation Policy is currently being reviewed.</p>
Management Letter (Attachment 7.1C)	
Ratios	Some of the ratios cannot be calculated because the Long Term Financial Plan has not been adopted. Work is proceeding on this project in order for to be adopted March – April 2015.
Audit Report (Attachment 7.1C)	
	No matters were reported

Consultation

Chief Executive Officer
 Executive Manager – Corporate Services
 Finance Manager

Statutory Environment

Regulation 17 Local Government Audit Regulations 1996.

Financial Implications

Implementing the recommendations of the Report will have financial impact that will be processed through normal budgetary processes.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022
 Goal 5 – Inspiring Governance
 Objective 4 – Exemplary Team & Work Environment

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Low" risk and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

There are no policy implications in this matter.

Voting Requirement

Simple Majority Required.

Recommendation

That the Audit Committee recommend to Council the acceptance the 2013/2014 Independent Audit Report.

Author: Frank Ludovico	Signature:
Manager: Neil Hartley	Signature:

8. NEXT MEETING

The next Audit Committee Meeting will be held at a time to be determined.

9. CLOSURE OF MEETING



**SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING
MINUTES**

**Onslow Multi-Purpose Centre
Cnr McGrath Road & Hooley Avenue
Onslow**

**10 December 2014
Commencing at 10:00am**

SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit Committee Meeting of the Shire of Ashburton will be held on Wednesday 10 December 2014 at the Onslow Multi-Purpose Centre, Cnr McGrath Road & Hooley Avenue, Onslow commencing at 10:00 am.

The business to be transacted is shown in the Agenda.

Neil Hartley
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

Audit Committee Meeting 10 December 2014

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1. DECLARATION OF OPENING

The Chairperson opened the meeting at 10.14 am.

2. ATTENDANCE**2.1 PRESENT**

Cr K White	Chairperson - Shire President, Onslow Ward
Cr L Rumble	Deputy Shire President, Paraburdoo Ward
Cr A Eyre	Ashburton Ward
Cr I Dias	Paraburdoo Ward

Mr N Hartley	Chief Executive Officer
Mr F Ludovico	Executive Manager Corporate Services
Mrs L Hannagan	Administration Manager

2.2 APOLOGIES**2.2 APPROVED LEAVE OF ABSENCE**

Nil

3. ANNOUNCEMENT OF VISITORS**4. DECLARATION BY MEMBERS**

Cr White, Cr Rumble, Cr Eyre and Cr Dias gave due consideration to all matters contained in the Agenda presently before the meeting.

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**Council Decision**

MOVED: Cr L Rumble

SECONDED: Cr A Eyre

That the Minutes of the Audit Committee held on 19 March 2014 be accepted as true and correct.

CARRIED 4/0
Crs White, Rumble, Eyre and Dias voted for the motion

6. TERMS OF REFERENCE

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management. (clause 16 Local Government (Audit) Regulations 1996).

Meeting cycle: At least once a year to recommend adoption of Annual Report.

7. AGENDA ITEMS

7.1 REGULATION 17(3) LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 - RISK AUDIT

FILE REFERENCE:	FI.AU.13.14
AUTHOR'S NAME AND POSITION:	Lisa Hannagan Administration Manager
NAME OF APPLICANT/RESPONDENT:	Not applicable
DATE REPORT WRITTEN:	24 November 2014
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in the proposal.
PREVIOUS MEETING REFERENCE:	19 March 2014, Audit Committee Meeting

Summary

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guideline – 9 – Audit in Local Governments has been revised.

The new Regulation 17 prescribes a number of matters that are to be reviewed by the Audit Committee. These functions now include reviewing the Chief Executive Officer's report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council.

Background

This Risk Audit and review process is to occur at least once every two calendar years, with the first review of each of the three areas to be completed by 31 December 2014.

Quotations were advertised via the WALGA E-Quotes system. AMD Chartered Accountants were appointed to conduct the Regulation 17 Audit.

The Audit was conducted onsite, 13 – 17 October 2014. The AMD report is attached.

ATTACHMENT 7.1

Comment

The attached report from AMD Chartered Accountants has been reviewed by the Audit Committee and contains recommendations to improve the Shire of Ashburton's performance in the areas covered by the audit, that being;

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

The Report also contains “Management Comments” which describe what the Shire’s administration will do to see the recommendations implemented.

There were no critical issues raised in the AMD Chartered Accountants Regulation 17 Audit.

Of the 29 recommendations made in the report, all have either already been addressed or are in progress to be completed within the next 6 months. In most cases planning was already under way and/or systems have been put in place to address the issues raised.

Consultation

Chief Executive Officer
Executive Manager – Corporate Services
Administration Manager
AMD Chartered Accountants

Statutory Environment

Regulation 17 Local Government Audit Regulations 1996.

Financial Implications

The cost of the Regulation 17 Review was \$16,500 (including GST).

Implementing the recommendations of the Report will have financial impact that will be processed through normal budgetary processes.

A suitable allocation will be made in the budget for future reviews which are to take place every two years.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022
Goal 5 – Inspiring Governance
Objective 4 – Exemplary Team & Work Environment

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be “Low” risk and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

Various policies may need to be amended to become aligned with new process. This will take place over the coming months via now standardized policy review process.

Voting Requirement

Simple Majority Required.

Council Decision

MOVED: Cr A Eyre

SECONDED: Cr D Dias

That the Audit Committee:

- 1. Recommends to Council that it notes the AMD Report – Regulation 17 Risk Audit, including recommendations and the management comments which describe how the recommendations will be implemented; and forwards the AMD Report – Regulation 17 Risk Audit to the Minister for Local Government as required.**

CARRIED 4/0

Crs White, Rumble, Eyre and Dias voted for the motion

8. NEXT MEETING

The next Audit Committee Meeting will be held at a time to be determined.

9. CLOSURE OF MEETING

The Chairperson opened the meeting at 10.17 am.



SHIRE OF ASHBURTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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SHIRE OF ASHBURTON**FINANCIAL REPORT****FOR THE YEAR ENDED 30TH JUNE 2014****LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996****STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Ashburton being the annual financial report and supporting notes and other information for the financial year ended 30th June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Ashburton at 30th June 2014 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 19 day of January 2015.



Neil Hartley
Chief Executive Officer

SHIRE OF ASHBURTON
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Rates	22	24,577,156	15,217,825	12,764,341
Operating Grants, Subsidies and Contributions	28	4,231,252	6,018,737	6,009,354
Fees and Charges	27	19,425,281	21,489,505	17,769,707
Interest Earnings	2(a)	399,480	471,240	525,328
Other Revenue		<u>5,298,649</u>	<u>626,137</u>	<u>2,792,775</u>
		53,931,818	43,823,444	39,861,505
Expenses				
Employee Costs		(12,112,792)	(12,804,291)	(10,522,106)
Materials and Contracts		(13,474,239)	(20,291,436)	(16,357,615)
Utility Charges		(956,415)	(518,718)	(545,466)
Depreciation on Non-Current Assets	2(a)	(7,807,598)	(7,887,069)	(7,771,967)
Interest Expenses	2(a)	(198,759)	(202,946)	(227,337)
Insurance Expenses		(1,062,522)	(1,198,131)	(1,106,093)
Other Expenditure		<u>(795,460)</u>	<u>(578,991)</u>	<u>(259,144)</u>
		<u>(36,407,785)</u>	<u>(43,481,582)</u>	<u>(36,789,728)</u>
		17,524,033	341,862	3,071,777
Non-Operating Grants, Subsidies and Contributions				
	28	19,414,123	23,995,254	24,155,702
Profit on Asset Disposals	20	4,181,158	4,740,586	5,598,100
Loss on Asset Disposal	20	<u>(542,676)</u>	<u>(43,460)</u>	<u>(789,421)</u>
Net Result		40,576,638	29,034,242	32,036,158
Other Comprehensive Income				
Changes on Revaluation of Non-current Assets	12	46,682,627	0	681,905
Total Other Comprehensive Income		<u>46,682,627</u>	<u>0</u>	<u>681,905</u>
Total Comprehensive Income		<u>87,259,265</u>	<u>29,034,242</u>	<u>32,718,063</u>

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

SHIRE OF ASHBURTON
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Governance		5,131,431	1,045,748	806,793
General Purpose Funding		27,247,554	17,995,218	17,549,824
Law, Order, Public Safety		116,347	113,650	103,519
Health		249,712	238,006	175,209
Education and Welfare		130,948	336,000	231,400
Housing		311,504	249,971	311,642
Community Amenities		3,985,583	4,655,766	4,832,541
Recreation and Culture		1,378,151	955,453	2,525,751
Transport		6,957,999	3,463,504	2,212,470
Economic Services		2,188,567	2,961,353	2,428,676
Other Property and Services		6,234,022	11,808,775	8,683,680
	2(a)	<u>53,931,818</u>	<u>43,823,444</u>	<u>39,861,505</u>
Expenses				
Governance		(4,723,244)	(4,419,043)	(4,397,287)
General Purpose Funding		(132,791)	(148,180)	(150,700)
Law, Order, Public Safety		(1,045,866)	(919,149)	(875,254)
Health		(779,625)	(797,405)	(729,226)
Education and Welfare		(401,333)	(611,386)	(544,084)
Housing		(537,557)	(448,130)	(434,780)
Community Amenities		(5,088,374)	(6,471,142)	(5,284,687)
Recreation and Culture		(5,871,197)	(6,517,017)	(5,683,538)
Transport		(8,359,571)	(9,916,459)	(8,534,150)
Economic Services		(3,530,679)	(2,426,657)	(2,030,125)
Other Property and Services		(5,738,789)	(10,604,068)	(7,898,560)
	2(a)	<u>(36,209,026)</u>	<u>(43,278,636)</u>	<u>(36,562,391)</u>
Finance Costs				
Law, Order, Public Safety		(614)	(1,749)	(2,900)
Housing		(156,358)	(158,780)	(176,902)
Recreation & Culture		(12,907)	(13,255)	(14,669)
Transport		(28,880)	(29,162)	(32,866)
	2(a)	<u>(198,759)</u>	<u>(202,946)</u>	<u>(227,337)</u>
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		422,658	0	0
Education and Welfare		1,500,000	1,500,000	0
Community Amenities		323,105	415,000	1,197,566
Recreation & Culture		4,185,954	4,804,800	997,169
Transport		12,962,406	17,255,454	21,960,967
Economic Services		20,000	20,000	0
		<u>19,414,123</u>	<u>23,995,254</u>	<u>24,155,702</u>
Profit/(Loss) on Disposal of Assets				
Governance		(149,208)	0	(184,167)
Law, Order, Public Safety		(3,004)	0	(6,364)
Housing		0	521,394	0
Housing		(119,062)	0	(1,640)
Community Amenities		(6,624)	0	708,862
Recreation & Culture		(120,441)	0	(370,074)
Transport		8,859	60,564	103,231
Transport		(67,495)	(43,460)	(219,473)
Economic Services		4,172,299	4,158,628	0
Economic Services		(10,592)	0	0
Other Property and Services		0	0	4,786,007
Other Property and Services		(66,250)	0	(7,703)
		<u>3,638,482</u>	<u>4,697,126</u>	<u>4,808,679</u>
Net Result		40,576,638	29,034,242	32,036,158

SHIRE OF ASHBURTON
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Other Comprehensive Income				
Changes on Revaluation of Non-current Assets	12	46,682,627	0	681,905
Total Other Comprehensive Income		<u>46,682,627</u>	<u>0</u>	<u>681,905</u>
Total Comprehensive Income		<u>87,259,265</u>	<u>29,034,242</u>	<u>32,718,063</u>

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

**SHIRE OF ASHBURTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	NOTE	2014 \$	2013 \$	2012 \$
CURRENT ASSETS				
Cash and Cash Equivalents	3	34,276,627	13,453,435	11,015,503
Trade and Other Receivables	4	3,752,070	9,360,773	4,833,318
Inventories	5	197,818	156,559	2,980,798
TOTAL CURRENT ASSETS		<u>38,226,515</u>	<u>22,970,767</u>	<u>18,829,619</u>
NON-CURRENT ASSETS				
Other Receivables	4	0	265	658
Inventories	5	405,656	232,513	7,785
Property, Plant and Equipment	6	86,388,003	45,533,017	35,211,660
Infrastructure	7	142,036,855	120,017,377	92,445,550
TOTAL NON-CURRENT ASSETS		<u>228,830,514</u>	<u>165,783,172</u>	<u>127,665,653</u>
TOTAL ASSETS		<u>267,057,029</u>	<u>188,753,939</u>	<u>146,495,272</u>
CURRENT LIABILITIES				
Trade and Other Payables	8	4,634,997	12,303,721	4,913,600
Current Portion of Long Term Borrowings	9	1,540,356	1,556,916	368,891
Provisions	10	875,693	825,318	923,152
TOTAL CURRENT LIABILITIES		<u>7,051,046</u>	<u>14,685,955</u>	<u>6,205,643</u>
NON-CURRENT LIABILITIES				
Long Term Borrowings	9	3,282,536	4,597,892	3,466,322
Provisions	10	111,672	117,582	108,938
TOTAL NON-CURRENT LIABILITIES		<u>3,394,208</u>	<u>4,715,474</u>	<u>3,575,260</u>
TOTAL LIABILITIES		<u>10,445,254</u>	<u>19,401,429</u>	<u>9,780,903</u>
NET ASSETS		<u>256,611,775</u>	<u>169,352,510</u>	<u>136,714,369</u>
EQUITY				
Retained Surplus		185,398,847	158,674,210	128,599,117
Reserves - Cash Backed	11	23,848,396	9,996,395	8,115,252
Revaluation Surplus	12	47,364,532	681,905	0
TOTAL EQUITY		<u>256,611,775</u>	<u>169,352,510</u>	<u>136,714,369</u>

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

**SHIRE OF ASHBURTON
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		128,519,195	8,115,252	0	136,634,447
Comprehensive Income					
Net Result		32,036,158	0	0	32,036,158
Changes on Revaluation of Non-Current Assets	12	0	0	681,905	681,905
Total Comprehensive Income		<u>32,036,158</u>	<u>0</u>	<u>681,905</u>	<u>32,718,063</u>
Reserve Transfers		(1,881,143)	1,881,143	0	0
Balance as at 30 June 2013		<u>158,674,210</u>	<u>9,996,395</u>	<u>681,905</u>	<u>169,352,510</u>
Comprehensive Income					
Net Result		40,576,638	0	0	40,576,638
Changes on Revaluation of Non-Current Assets	12	0	0	46,682,627	46,682,627
Total Other Comprehensive Income		<u>40,576,638</u>	<u>0</u>	<u>46,682,627</u>	<u>87,259,265</u>
Reserve Transfers		(13,852,001)	13,852,001	0	0
Balance as at 30 June 2014		<u><u>185,398,847</u></u>	<u><u>23,848,396</u></u>	<u><u>47,364,532</u></u>	<u><u>256,611,775</u></u>

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

**SHIRE OF ASHBURTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2014**

ATTACHMENT 7.1A

	NOTE	2014 \$	2014 Budget \$	2013 \$
Cash Flows From Operating Activities				
Receipts				
Rates		24,210,484	15,229,830	12,683,513
Operating Grants, Subsidies and Contributions		4,445,487	6,973,962	4,661,369
Fees and Charges		22,596,507	22,747,505	15,159,911
Interest Earnings		399,480	471,240	525,328
Goods and Services Tax		4,509,531	315,000	2,815,805
Other Revenue		5,265,456	626,137	886,972
		<u>61,426,945</u>	<u>46,363,674</u>	<u>36,732,898</u>
Payments				
Employee Costs		(12,067,786)	(12,841,991)	(10,530,570)
Materials and Contracts		(21,209,762)	(20,384,291)	(8,974,661)
Utility Charges		(956,415)	(559,923)	(545,466)
Insurance Expenses		(1,062,522)	(1,198,131)	(1,106,093)
Interest expenses		(179,735)	(203,146)	(231,219)
Goods and Services Tax		(3,729,509)	(275,000)	(3,318,865)
Other Expenditure		(795,460)	(578,991)	(259,144)
		<u>(40,001,189)</u>	<u>(36,041,473)</u>	<u>(24,966,018)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>21,425,756</u>	<u>10,322,201</u>	<u>11,766,880</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(173,143)	(1,818,500)	(370,315)
Payments for Purchase of Property, Plant & Equipment		(5,618,093)	(10,639,064)	(4,617,469)
Payments for Construction of Infrastructure		(13,084,619)	(25,655,609)	(10,673,593)
Payments for Works in Progress		(6,676,664)	0	(28,603,387)
Non-Operating Grants, Subsidies and Contributions		21,284,948	23,995,254	24,155,702
Proceeds from Sale of Plant & Equipment		4,996,923	5,396,000	8,460,519
		<u>729,352</u>	<u>(8,721,919)</u>	<u>(11,648,543)</u>
Net Cash Provided By (Used In) Investing Activities		<u>729,352</u>	<u>(8,721,919)</u>	<u>(11,648,543)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(1,556,916)	(1,556,916)	(951,589)
Proceeds from New Debentures		225,000	0	3,271,184
		<u>(1,331,916)</u>	<u>(1,556,916)</u>	<u>2,319,595</u>
Net Cash Provided By (Used In) Financing Activities		<u>(1,331,916)</u>	<u>(1,556,916)</u>	<u>2,319,595</u>
Net Increase (Decrease) in Cash Held		20,823,192	43,366	2,437,932
Cash at Beginning of Year		13,453,435	13,488,979	11,015,503
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>34,276,627</u></u>	<u><u>13,532,345</u></u>	<u><u>13,453,435</u></u>

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

**SHIRE OF ASHBURTON
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2014**

ATTACHMENT 7.1A

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		5,131,431	1,045,748	806,793
General Purpose Funding		2,670,398	2,777,393	4,785,483
Law, Order, Public Safety		539,005	113,650	103,519
Health		249,712	238,006	175,209
Education and Welfare		1,630,948	1,836,000	231,400
Housing		311,504	771,365	311,642
Community Amenities		4,308,688	5,070,766	6,738,969
Recreation and Culture		5,564,105	5,760,253	3,522,920
Transport		19,929,264	20,779,522	24,276,668
Economic Services		6,380,866	7,139,981	2,428,676
Other Property and Services		6,234,022	11,808,775	13,469,687
		<u>52,949,943</u>	<u>57,341,459</u>	<u>56,850,966</u>
Expenses				
Governance		(4,872,452)	(4,419,043)	(4,581,454)
General Purpose Funding		(132,791)	(148,180)	(150,700)
Law, Order, Public Safety		(1,049,484)	(920,898)	(884,518)
Health		(779,625)	(797,405)	(729,226)
Education and Welfare		(401,333)	(611,386)	(544,084)
Housing		(812,977)	(606,910)	(613,322)
Community Amenities		(5,094,998)	(6,471,142)	(5,284,687)
Recreation and Culture		(6,004,545)	(6,530,272)	(6,068,281)
Transport		(8,455,946)	(9,989,081)	(8,786,489)
Economic Services		(3,541,271)	(2,426,657)	(2,030,125)
Other Property and Services		(5,805,039)	(10,604,068)	(7,906,263)
		<u>(36,950,461)</u>	<u>(43,525,042)</u>	<u>(37,579,149)</u>
Net Result Excluding Rates		15,999,482	13,816,417	19,271,817
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change to Regulations				
- Land and Structures Under Control of Council		0	0	(1,811,477)
(Profit)/Loss on Asset Disposals	20	(3,638,482)	(4,697,126)	(4,808,679)
Movement in Deferred Pensioner Rates (Non-Current)		265	0	393
Movement in Employee Benefit Provisions (Non-Current)		(5,910)	0	8,644
Movement in LSL Reserve (Added Back)		7,822	0	155,551
Depreciation and Amortisation on Assets	2(a)	7,807,598	7,887,069	7,771,967
Capital Expenditure and Revenue				
Purchase Land Held for Resale		(173,143)	(1,818,500)	(370,315)
Purchase Work in Progress		(6,676,664)	0	(28,603,387)
Purchase Land and Buildings		(4,065,117)	(8,654,385)	(1,644,262)
Purchase Plant and Equipment		(1,417,263)	(1,469,228)	(2,773,177)
Purchase Furniture and Equipment		(135,713)	(515,451)	(200,030)
Purchase Infrastructure Assets - Roads		(1,597,296)	(3,937,592)	(2,663,734)
Purchase Infrastructure Assets - Footpaths		0	(1,162,770)	0
Purchase Infrastructure Assets - Drainage		0	(670,000)	(864,132)
Purchase Infrastructure Assets - Parks & Ovals		(279,119)	(812,500)	(763,031)
Purchase Infrastructure Assets - Airports		(10,477,765)	(15,226,121)	(4,472,732)
Purchase Infrastructure Assets - Other		(730,439)	(3,846,626)	(1,909,964)
Proceeds from Disposal of Assets	20	5,018,423	5,396,000	8,460,519
Repayment of Debentures	21	(1,556,916)	(1,556,916)	(951,589)
Proceeds from New Debentures	21	225,000	0	3,271,184
Transfers to Reserves (Restricted Assets)	11	(16,788,214)	(5,934,000)	(7,412,229)
Transfers from Reserves (Restricted Assets)	11	2,936,213	4,924,038	5,531,086
ADD Surplus/(Deficit) July 1 B/Fwd	22(b)	153,995	3,039,866	2,167,231
LESS Surplus/(Deficit) June 30 C/Fwd	22(b)	9,183,913	(20,000)	153,995
Total Amount Raised from General Rate	22(a)	<u>(24,577,156)</u>	<u>(15,217,825)</u>	<u>(12,764,341)</u>

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

The Local Government Reporting Entity

All Funds through which the 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. A separate statement of those monies appears at Note 19 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and Cash Equivalents

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

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

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land Held for Sale

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

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.

In 2013, Council 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 was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

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

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

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

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

Revaluation

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

Transitional Arrangements

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*** 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 only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land Under Roads

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets clearing and earthworks construction/road base original surfacing and major re-surfacing - bituminous seals	not depreciated 50 years 20 years
Gravel roads clearing and earthworks construction/road base gravel sheet	not depreciated 50 years 12 years
Formed roads (unsealed) clearing and earthworks construction/road base	not depreciated 50 years
Bridges steel/concrete	80 years
Footpaths - slab	40 years

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure under the thresholds listed below is not capitalised. Rather, it is recorded on an asset inventory listing.

- Land	Nil (All Land Capitalised)
- Buildings	2,000
- Plant & Equipment	2,000
- Furniture & Equipment	2,000
- Infrastructure	5,000

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Valuation techniques (Continued)

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) 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 (i.e. trade date accounting is adopted).

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council 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 non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

In accordance with Australian Accounting Standards the 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 (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

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

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

(l) Borrowing Costs

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

(n) Leases

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

(o) Investment in Associates

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

The carrying amount of the investment includes, where applicable, 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.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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 sale where it is held as non-current based on the Council's intentions to release for sale.

(t) Rounding Off Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2018	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, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]			

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation 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. This Standard is not expected to significantly impact the Council's financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	<p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p> <p>It is not expected to have a significant impact on Council.</p>
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	<p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p>
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	<p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p>

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 were compiled, became mandatory and which were applicable to its operations.

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, 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.

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

2. REVENUE AND EXPENSES	2014	2013
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
During the year the following fees were paid or payable for services provided by the following auditors' of the Shire:		
<i>BDO Audit (WA) Pty Ltd</i>		
Audit and review of Financial Report	0	14,140
Acquittal Audit	811	1,000
<i>UHY Haines Norton</i>		
Audit and review of Financial Report	30,000	12,900
Financial Management Review	0	22,000
Other Services	25,115	0
Depreciation		
Buildings	732,943	1,005,374
Furniture and Equipment	177,424	228,867
Plant and Equipment	894,584	830,790
Leasehold Improvements	0	0
Roads	5,058,469	4,891,334
Footpaths	74,104	73,821
Drainage	178,270	160,547
Parks & Ovals	112,663	92,528
Airports	56,609	0
Other	522,532	488,706
	<u>7,807,598</u>	<u>7,771,967</u>
Interest Expenses (Finance Costs)		
Debentures (refer Note 21(a))	<u>198,759</u>	<u>227,337</u>
Rental Charges		
- Operating Leases	<u>27,069</u>	<u>24,414</u>
(ii) Crediting as Revenue:		
Significant Revenue		
Recreation and Culture	<u>0</u>	<u>1,811,477</u>
	<u>0</u>	<u>1,811,477</u>

This significant revenue in 2013 relates to the initial recognition of Land and Structures under the Shire's control in accordance with amendments to the Financial Management Regulations. The revenue has been classified as Other Revenue by Nature or Type.

Other Revenue		
Reimbursements and Recoveries	4,790,836	251,364
Significant Revenue (Refer Above)	0	1,811,477
Other	507,813	729,934
	<u>5,298,649</u>	<u>2,792,775</u>
	2014	2014
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	245,932	200,000
- Other Funds	81,159	230,000
Other Interest Revenue (refer note 26)	72,389	40,183
	<u>399,480</u>	<u>471,240</u>
	<u>399,480</u>	<u>525,328</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

OBJECTIVE: To provide a decision making process for the efficient allocation of scarce resources.

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

GENERAL PURPOSE FUNDING

OBJECTIVE: To collect revenue to allow for the provision of services.

ACTIVITIES: Rates, general purpose Government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

OBJECTIVE: To provide services to help ensure a safer community.

ACTIVITIES: Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

OBJECTIVE: To provide an operational framework for good community health.

ACTIVITIES: Food quality and pest control, immunisation services, inspection of abattoir and operation of child health clinic.

EDUCATION AND WELFARE

OBJECTIVE: To provide appropriate care to the aged and disabled.

ACTIVITIES: Provision of Home and Community Care, maintenance to playgroup and telecentre buildings.

HOUSING

OBJECTIVE: To provide adequate staff and community housing.

ACTIVITIES: Maintenance of staff and community housing, collection of various rents.

COMMUNITY AMENITIES

OBJECTIVE: Provide services required by the community.

ACTIVITIES: Rubbish collection services, operation of tips, noise control, administration of the town planning scheme, maintenance of cemeteries, storm water drainage maintenance.

RECREATION AND CULTURE

OBJECTIVE: To establish and manage efficiently infrastructure and resources which will help the social well being of the community.

ACTIVITIES: Maintenance of halls, the aquatic centre, recreation centres and various reserves.

TRANSPORT

OBJECTIVE: To provide effective and efficient transport services to the community.

ACTIVITIES: Construction and maintenance of streets, roads, bridges, cleaning and lighting streets, depot maintenance and airstrip maintenance.

ECONOMIC SERVICES

OBJECTIVES: To help promote the Shire and improve its economic wellbeing.

ACTIVITIES: The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and standpipes.

OTHER PROPERTY & SERVICES

ACTIVITIES: Private works operations, plant repairs and operation costs.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance (@) 30-Jun-13 \$	Received (+) 2013/14 \$	Expended (#) 2013/14 \$	Closing Balance 30-Jun-14 \$
Grants for Aboriginal Environmental Health	Law, Order & Public Safety	42,927	145,545	(188,472)	0	209,138	(200,114)	9,024
Country Local Government Fund - Tom Price Town Centre Revitalisation	Community Amenities	1,534,261	0	(228,592)	1,305,669 (*)	0	(257,204)	1,048,465 (*)
Interest on Country Local Government Funding	Recreation & Culture	1,426,097	218,707	(569,515)	1,075,289 (*)	69,747	(8,581)	1,136,455 (*)
Dept of Regional Development - Tom Price Civic Centre Refurbishment	Recreation & Culture	25,579	0	(25,579)	0	0	0	0
Dept of Regional Development - Tom Price Sports Pavillion	Recreation & Culture	3,925,751	0	(3,925,751)	0	0	0	0
Dept of Regional Development - Tom Price Netball/Basketball Courts	Recreation & Culture	286,648	0	(286,648)	0	0	0	0
Chevron - Onslow Community Garden	Community Amenities	14,446	0	(11,418)	3,028	0	(3,028)	0
RLCIP Funding - Tom Price Sports Pavilion	Recreation & Culture	216,000	0	(216,000)	0	0	0	0
MRWA - Regional Road Group Funding	Recreation & Culture	528,271	1,134,331	(1,662,602)	0	742,180	(49,086)	693,094
DOTARS - Roads to Recovery Funding	Transport	107,871	499,337	(607,208)	0	0	0	0
Pilbara Iron - Paraburdoo Junior Area	Transport	104,546	10,454	0	115,000	265,000	(260,170)	119,830
Chevron - Onslow Visioning Project	Community Amenities	18,120	0	(18,120)	0	0	0	0
Pilbara Iron - Thermal Pool Blankets & Reels (Tom Price)	Community Amenities	56,000	0	(56,000)	0	0	0	0

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance (@) 30-Jun-13 \$	Received (+) 2013/14 \$	Expended (#) 2013/14 \$	Closing Balance 30-Jun-14 \$
Crime Prevention Grant - Graffiti Removal	Recreation & Culture	14,342	0	(14,342)	0	0	0	0
Chevron - Tennis Equipment	Recreation & Culture	105	0	(105)	0	0	0	0
Chevron - Storage Shed Town Hall	Recreation & Culture	123	0	(123)	0	0	0	0
Pilbara Iron - Tom Price Sporting Precinct	Recreation & Culture	600,000	0	(586,239)	13,761	100,000	(13,761)	100,000
Chevron - Onslow Goods Shed	Recreation & Culture	1,909	0	(1,909)	0	0	0	0
Chevron - Seniors Workshops	Recreation & Culture	4,191	0	(4,191)	0	0	0	0
Pilbara Iron - Paraburdoo Speed Check Signs	Transport	6,427	0	(6,427)	0	0	0	0
Pilbara Iron - Partnership Agreement (Management)	Governance	0	302,500	(271,415)	31,085	317,625	(348,710)	0
Dept. Of Transport - Onslow Coastal Protection	Community Amenities	0	50,000	(16,684)	33,316	0	(33,316)	0
Dept. Of Regional Development & Lands (CLGF) - Paraburdoo Revitalisation	Community Amenities	0	1,137,111	0	1,137,111	0	(305,172)	831,939
Dept. Of State Development - Four Mile Creek	Recreation & Culture	0	367,170	(286,897)	80,273	85,954	(166,227)	0
Dept of Health - Mosquito Control	Health	0	0	0	0	28,421	(20,426)	7,995
Dept. Of Regional Development & Lands (CLGF) - Paraburdoo Child Care Centre	Education & Welfare	0	0	0	0	1,000,000	(15,195)	984,805 (*)

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance (@) 30-Jun-13 \$	Received (+) 2013/14 \$	Expended (#) 2013/14 \$	Closing Balance 30-Jun-14 \$
Rio Tinto - Paraburdoo Child Care Centre	Education & Welfare	0	0	0	0	500,000	0	500,000 (*)
Pilbara Iron - Partnership Agreement (Community Development & Support)	Recreation & Culture	0	0	0	0	626,005	(141,773)	484,232 (*)
Water Corporation - Waterwise Demonstration Garden	Transport	0	0	0	0	10,000	0	10,000
Pilbara Iron - Tom Price Skate Park Lighting	Recreation & Culture	0	0	0	0	100,000	(79,128)	20,872
Hamersley Iron - Pannawonica Millstream Rd	Transport	0	0	0	0	2,258,689	0	2,258,689 (*)
Total		<u>8,913,614</u>	<u>3,865,155</u>	<u>(8,984,237)</u>	<u>3,794,532</u>	<u>6,312,759</u>	<u>(1,901,891)</u>	<u>8,205,400</u>

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.

(*) - These unspent contributions were held in a reserve fund called Unspent Grants and Contributions at the end of June 2013 and at the end of June 2014.

	2014	2013
Unspent Grants not transferred to reserve as at 30 June (See Note 3)	1,792,754	1,413,574
Unspent Grants in reserves at 30 June	6,412,646	2,380,958
	<u>8,205,400</u>	<u>3,794,532</u>

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

	2014	2013
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	8,635,477	2,043,466
Restricted	<u>25,641,150</u>	<u>11,409,969</u>
	<u><u>34,276,627</u></u>	<u><u>13,453,435</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Reserves		
Employee Benefits Reserve	316,484	308,662
Plant Replacement Reserve	25,246	24,622
Infrastructure Reserve	2,919,340	1,725,137
Housing Reserve	1,989,231	1,970,400
Onslow Community Infrastructure Reserve	37,216	36,296
Onslow Administration Building Reserve	4,381,085	0
Property Development Reserve	7,767,148	3,550,320
Unspent Grants and Contributions Reserve	<u>6,412,646</u>	<u>2,380,958</u>
	23,848,396	9,996,395
Plus		
Restricted Cash - Unspent Grants (refer note 2 (c))	<u>1,792,754</u>	<u>1,413,574</u>
	<u><u>25,641,150</u></u>	<u><u>11,409,969</u></u>

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

	2014	2013
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	512,622	237,496
Sundry Debtors	3,469,158	5,972,993
GST Receivable	0	734,944
Prepayments	30,769	53,978
Accrued Income	177,394	2,437,533
Provision for Doubtful Debts	(437,873)	(76,171)
	<u>3,752,070</u>	<u>9,360,773</u>
Non-Current		
Rates Outstanding - Pensioners	0	265
	<u>0</u>	<u>265</u>
5. INVENTORIES		
Current		
Fuel and Materials	58,714	29,434
Tourist Bureau Stock	139,104	127,125
	<u>197,818</u>	<u>156,559</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	22,970	22,970
Development Costs	382,686	209,543
	<u>405,656</u>	<u>232,513</u>

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

	2014	2013
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	20,555,000	0
- Cost	0	393,730
Land Vested in and under the control of Council at:		
- Independent Valuation 2014	919,533	0
- Cost	0	919,533
Total Land	<u>21,474,533</u>	<u>1,313,263</u>
Buildings at:		
- Independent Valuation 2014	56,032,613	0
- Management Valuation 2014	44,955	0
- Cost	0	35,777,907
Less Accumulated Depreciation	0	<u>(6,562,455)</u>
Total Buildings	56,077,568	29,215,452
Total Land and Buildings	<u>77,552,101</u>	<u>30,528,715</u>
Furniture and Equipment - Management Valuation 2013	667,505	827,938
Furniture and Equipment - Cost (Additions after Valuation)	135,713	0
Less Accumulated Depreciation	<u>(177,424)</u>	<u>0</u>
	625,794	827,938
Plant and Equipment - Management Valuation 2013	6,477,279	7,004,138
Plant and Equipment - Cost (Additions after Valuation)	1,417,263	0
Less Accumulated Depreciation	<u>(826,306)</u>	<u>0</u>
	<u>7,068,236</u>	<u>7,004,138</u>
Leasehold Improvements - Cost	544,412	0
Less Accumulated Depreciation	<u>(238,061)</u>	<u>0</u>
	<u>306,351</u>	<u>0</u>
Work in Progress	<u>835,521</u>	<u>7,172,226</u>
	<u>86,388,003</u>	<u>45,533,017</u>

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Shire's land and buildings were revalued at 30 June 2014 by independent valuers and management.

In relation to the land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised building 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 of these assets resulted in an overall increase of \$46,682,627 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

With regard to land vested in and under the control of Council, these assets were originally recognised as at 30 June 2013 at deemed cost where cost was effectively the fair value at the date of recognition.

As land vested in and under the control of Council is Crown Land restricted as to usage, it is not possible for an alternative usage to be considered when arriving at the fair value. In addition, due to its nature, any significant value attributable directly to the land would likely be offset by the need to return value to the Crown before any restriction is lifted, thus reducing the net fair value to nil.

Consequently, the original value of deemed cost was obtained having regard for the current replacement cost of the improvements on the land to allow for its current restricted usage.

These included both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and Buildings (Continued):

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is 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.

Due to the mandatory fair value measurement framework as detailed in Note 1(f), Land Vested in and under the control of Council required a fair value assessment to occur in the current year.

This was performed by management at 30 June 2014 on the same basis as the prior year hence deemed cost valuation was arrived at.

The revaluation of land vested in and under the control of Council resulted in neither an increase nor a decrease in the net value of the Land vested in and under control of the Council. Consequently no adjustment was recognised in either the net result or other comprehensive income in the Statement of Comprehensive Income.

Plant and Equipment:

Plant and equipment was revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

Furniture and Equipment:

Furniture and equipment was revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

Whilst the additions since that time are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. Thus, the value is considered in accordance with Local Government (Financial Management (Regulation) 17A (2) which requires these assets to be shown at fair value.

They will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1(f).

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

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.

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Transfers Change of Input Levels \$	Transfers Between Asset Classes \$	Revaluation Increments/ (Decrements) \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	393,730	0	(327,701)	0	0	20,488,971	0	20,555,000
Land Vested In and Under the Control of Council	(Level 3)	919,533	0	0	0	0	0	0	919,533
Total Land		1,313,263	0	(327,701)	0	0	20,488,971	0	21,474,533
Non-Specialised Buildings	(Level 2)	10,834,578	2,807,468	(176,600)	(3,520,304)	(2,931,827)	6,349,450	(287,810)	13,074,955
Specialised Buildings	(Level 3)	18,380,874	1,257,649	(136,899)	3,520,304	581,612	19,844,206	(445,133)	43,002,613
Total Buildings		29,215,452	4,065,117	(313,499)	0	(2,350,215)	26,193,656	(732,943)	56,077,568
Total Land and Buildings		30,528,715	4,065,117	(641,200)	0	(2,350,215)	46,682,627	(732,943)	77,552,101
Furniture and Equipment	(Level 3)	827,938	135,713	(160,433)	0	0	0	(177,424)	625,794
Plant and Equipment	(Level 2)	2,914,677	1,417,263	(320,306)	687,376	107,887	0	(407,979)	4,398,918
Plant and Equipment	(Level 3)	4,089,461	0	(258,002)	(687,376)	11,840	0	(486,605)	2,669,318
Leasehold Improvements		0	0	0	0	306,351	0	0	306,351
Work in Progress		7,172,226	321,036	0	0	(6,657,741)	0	0	835,521
Total Property, Plant and Equipment		45,533,017	5,939,129	(1,379,941)	0	(8,581,878)	46,682,627	(1,804,951)	86,388,003

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

	2014 \$	2013 \$
7. INFRASTRUCTURE		
Roads - Cost	114,466,727	112,869,431
Less Accumulated Depreciation	<u>(59,405,854)</u>	<u>(54,347,385)</u>
	55,060,873	58,522,046
Footpaths - Cost	2,964,175	2,964,175
Less Accumulated Depreciation	<u>(1,374,805)</u>	<u>(1,300,701)</u>
	1,589,370	1,663,474
Drainage - Cost	13,090,035	13,090,035
Less Accumulated Depreciation	<u>(3,775,734)</u>	<u>(3,597,464)</u>
	9,314,301	9,492,571
Parks & Ovals - Cost	8,818,474	5,072,509
Less Accumulated Depreciation	<u>(2,508,165)</u>	<u>(2,387,726)</u>
	6,310,309	2,684,783
Airports - Cost	33,998,604	1,132,181
Less Accumulated Depreciation	<u>(56,609)</u>	<u>0</u>
	33,941,995	1,132,181
Other Infrastructure - Cost	30,791,477	23,863,489
Less Accumulated Depreciation	<u>(2,927,279)</u>	<u>(1,616,903)</u>
	27,864,198	22,246,586
Work in Progress	<u>7,955,809</u>	<u>24,275,736</u>
	<u>142,036,855</u>	<u>120,017,377</u>

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

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.

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Transfers Change of Input Levels \$	Transfers Between Asset Classes \$	Revaluation Increments/ (Decrements) \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Roads	58,522,046	1,597,296	0	0	0	0	(5,058,469)	55,060,873
Footpaths	1,663,474	0	0	0	0	0	(74,104)	1,589,370
Drainage	9,492,571	0	0	0	0	0	(178,270)	9,314,301
Parks & Ovals	2,684,783	279,119	0	0	3,459,070	0	(112,663)	6,310,309
Airports	1,132,181	10,477,765	0	0	22,388,658	0	(56,609)	33,941,995
Other	22,246,586	730,439	0	0	5,409,705	0	(522,532)	27,864,198
Work in Progress	24,275,736	6,355,628	0	0	(22,675,555)	0	0	7,955,809
Total Infrastructure	<u>120,017,377</u>	<u>19,440,247</u>	<u>0</u>	<u>0</u>	<u>8,581,878</u>	<u>0</u>	<u>(6,002,647)</u>	<u>142,036,855</u>

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

	2014	2013
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	3,781,976	11,074,647
PAYG Payable	208,546	248,845
Income Received in Advance	19,570	37,800
GST Payable	45,078	0
ESL Liability	241	(2,095)
FBT Liability	45,726	23,645
Accrued Expenses	178,611	590,448
Accrued Interest on Loans	25,311	29,496
Accrued Salaries and Wages	329,938	300,935
	<u>4,634,997</u>	<u>12,303,721</u>

9. LONG-TERM BORROWINGS**Current**

Secured by Floating Charge Debentures	1,540,356	1,556,916
	<u>1,540,356</u>	<u>1,556,916</u>

Non-Current

Secured by Floating Charge Debentures	3,282,536	4,597,892
	<u>3,282,536</u>	<u>4,597,892</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	875,693	825,318
Non-Current	111,672	117,582
	<u>987,365</u>	<u>942,900</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2013	571,694	371,206	942,900
Additional provisions	49,030	(4,565)	44,465
Balance at 30 June 2014	<u>620,724</u>	<u>366,641</u>	<u>987,365</u>

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

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED			
(a) Employee Benefits Reserve			
Opening Balance	308,662	308,662	153,111
Amount Set Aside / Transfer to Reserve	7,822	6,200	155,551
Amount Used / Transfer from Reserve	0	0	0
	<u>316,484</u>	<u>314,862</u>	<u>308,662</u>
(b) Plant Replacement Reserve			
Opening Balance	24,622	24,622	116,284
Amount Set Aside / Transfer to Reserve	624	500	403,338
Amount Used / Transfer from Reserve	0	0	(495,000)
	<u>25,246</u>	<u>25,122</u>	<u>24,622</u>
(c) Infrastructure Reserve			
Opening Balance	1,725,137	1,725,137	206,493
Amount Set Aside / Transfer to Reserve	1,627,718	718,500	1,518,644
Amount Used / Transfer from Reserve	(433,515)	(972,538)	0
	<u>2,919,340</u>	<u>1,471,099</u>	<u>1,725,137</u>
(d) Housing Reserve			
Opening Balance	1,970,400	1,970,400	357,441
Amount Set Aside / Transfer to Reserve	1,518,831	589,400	1,612,959
Amount Used / Transfer from Reserve	(1,500,000)	(2,100,000)	0
	<u>1,989,231</u>	<u>459,800</u>	<u>1,970,400</u>
(e) Onslow Community Infrastructure Reserve			
Opening Balance	36,296	36,296	35,026
Amount Set Aside / Transfer to Reserve	920	700	1,270
Amount Used / Transfer from Reserve	0	0	0
	<u>37,216</u>	<u>36,996</u>	<u>36,296</u>
(f) Onslow Administration Building Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	4,727,008	0	0
Amount Used / Transfer from Reserve	(345,923)	0	0
	<u>4,381,085</u>	<u>0</u>	<u>0</u>
(g) Property Development Reserve			
Opening Balance	3,550,320	3,550,320	48,560
Amount Set Aside / Transfer to Reserve	4,589,970	4,571,100	3,501,760
Amount Used / Transfer from Reserve	(373,142)	(1,821,500)	0
	<u>7,767,148</u>	<u>6,299,920</u>	<u>3,550,320</u>

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

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED (Continued)			
(j) Unspent Grants and Contributions Reserve			
Opening Balance	2,380,958	2,380,958	7,198,337
Amount Set Aside / Transfer to Reserve	4,315,321	47,600	218,707
Amount Used / Transfer from Reserve	(283,633)	(30,000)	(5,036,086)
	<u>6,412,646</u>	<u>2,398,558</u>	<u>2,380,958</u>
TOTAL CASH BACKED RESERVES	<u>23,848,396</u>	<u>11,006,357</u>	<u>9,996,395</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 reserves are set aside are as follows:

Employee Benefits Reserve

- To contribute towards funding the Council's liability for payments of employee benefits owing to staff and taken either as leave or paid upon termination of their employment.

Plant Replacement Reserve

- To provide an optimum level of cash reserves for funding the Council heavy machinery replacement program on a five year rolling basis.

Infrastructure Reserve

- To provide funds for provision and maintenance of new and existing infrastructure assets throughout the Shire.

Housing Reserve

- To provide funds to assist the Council to maintain and improve Council housing stock in accordance with the Housing Asset Management Plan.

Onslow Community Infrastructure Reserve

- To provide funds for the development of community facilities in Onslow.

Onslow Administration Building Reserve

- To provide funds to assist the Council in building the new Onslow Administration building.

Property Development Reserve

- To provide funds to assist the Council in purchasing, developing and selling property to stimulate economic development.

Unspent Grants and Contributions Reserve

- To preserve unspent Grant and ongoing Capital Works Funds.

The above Reserves, except the Onslow Administration Building Reserve, are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised. The Onslow Administration Building Reserve is expected to be utilised in the 2015/16 financial year.

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

12. REVALUATION SURPLUS	2014	2013
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	0	0
Revaluation Increment	46,682,627	0
Revaluation Decrement	0	0
	<u>46,682,627</u>	<u>0</u>
(b) Plant and Equipment		
Opening balance	365,354	0
Revaluation Increment	0	365,354
Revaluation Decrement	0	0
	<u>365,354</u>	<u>365,354</u>
(c) Furniture and Equipment		
Opening balance	316,551	0
Revaluation Increment	0	316,551
Revaluation Decrement	0	0
	<u>316,551</u>	<u>316,551</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>47,364,532</u></u>	<u><u>681,905</u></u>

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

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:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>34,276,627</u>	<u>13,532,345</u>	<u>13,453,435</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	40,576,638	29,034,242	32,036,158
Depreciation	7,807,598	7,887,069	7,771,967
(Profit)/Loss on Sale of Asset	(3,638,482)	(4,697,126)	(4,808,679)
(Increase)/Decrease in Receivables	5,630,468	2,240,230	(4,527,062)
(Increase)/Decrease in Inventories	(41,259)	2,050	(39,256)
Increase/(Decrease) in Payables	(7,668,724)	(148,810)	7,390,121
Increase/(Decrease) in Employee Provisions	44,465	(200)	(89,190)
Grants/Contributions for the Development of Assets	(21,284,948)	(23,995,254)	(24,155,702)
Non-Current Assets recognised due to changes in legislative requirements	<u>0</u>	<u>0</u>	<u>(1,811,477)</u>
Net Cash from Operating Activities	<u>21,425,756</u>	<u>10,322,201</u>	<u>11,766,880</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit	500,000		500,000
Bank Overdraft at Balance Date	0		0
Credit Card limit	65,000		65,000
Credit Card Balance at Balance Date	<u>(29,618)</u>		<u>(23,668)</u>
Total Amount of Credit Unused	<u>535,382</u>		<u>541,332</u>
Loan Facilities			
Loan Facilities - Current	1,540,356		1,556,916
Loan Facilities - Non-Current	<u>3,282,536</u>		<u>4,597,892</u>
Total Facilities in Use at Balance Date	<u>4,822,892</u>		<u>6,154,808</u>
Unused Loan Facilities at Balance Date	<u>1,518,933</u>		<u>1,518,933</u>

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

14. CONTINGENT LIABILITIES

(a) Wittenoom Asbestos

Wittenoom asbestos claims are being made against a number of defendants including the Shire by former miners, residents and visitors to Wittenoom for potential damages incurred as a result of suffering from asbestos related diseases.

The present outlook for the Shire in relation to Wittenoom litigation is being carefully monitored by the Council members and the Executive on a monthly basis. The amount of potential claims and the Shire's potential contribution to the settlement of these has remained relatively steady over the current period.

Total future potential claims in respect of Wittenoom are not reliably quantifiable; however, the changing nature of damages claims and their defence means that individual cases now place the Shire at a greater financial risk.

The Shire has a commitment from the State Government that it will support a financial contribution if the wittenoom impost becomes too onerous for the Shire. All cases to date have been settled out of court with a number of parties contributing to the settlement process. Out of court settlements result in no judgement being reached by the court.

The amount of on-going claims and the manner in which they were concluded have not been disclosed as this may prejudice the Shire's position in an individual case.

In the event that a number of cases brought against the Shire and additional defendants are ruled in favour of the plaintiff, the financial impact on the Shire may result in significant losses being incurred which have the potential for a large reduction in services provided to ratepayers.

15. CAPITAL AND LEASING COMMITMENTS

	2014	2013
	\$	\$

(a) Finance Lease Commitments

There are no finance lease commitments at 30 June 2014.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	27,600	27,069
- later than one year but not later than five years	56,793	82,800
	84,393	109,869

**SHIRE OF ASHBURTON
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FOR THE YEAR ENDED 30TH JUNE 2014**

15. CAPITAL AND LEASING COMMITMENTS (continued)	2014	2013
	\$	\$
(c) Capital Expenditure Commitments		
Contracted for:		
- Capital Expenditure Projects		
- Tom Price Sports Pavilion Construction	0	876,410
- Tom Price Clem Thompson Oval Construction	0	1,833,556
- Onslow Airport Terminal Construction	15,312	4,365,172
- Onslow Aerodrome Asphaltting	0	4,720,534
- Onslow Aerodrome Water Main Diversion	0	160,796
- Onslow Airport Screening Equipment & Baggage Conveyor System	708,108	0
	<u>723,420</u>	<u>11,956,468</u>
 Payable:		
- not later than one year	<u>723,420</u>	<u>11,956,468</u>

16. JOINT VENTURE

The Shire was not involved in any joint ventures at 30 June 2013 and 30 June 2014.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	9,675,103	2,109,218
General Purpose Funding	512,622	237,761
Law, Order, Public Safety	1,793,620	988,452
Health	42,011	22,107
Education and Welfare	2,019,530	208,972
Housing	30,582,643	8,810,123
Community Amenities	14,513,838	14,254,501
Recreation and Culture	44,110,614	30,200,845
Transport	133,003,694	108,752,615
Economic Services	3,929,604	1,325,164
Other Property and Services	14,629,117	10,313,188
Unallocated	12,244,633	11,530,993
	<u>267,057,029</u>	<u>188,753,939</u>

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

18. FINANCIAL RATIOS	2014	2013	2012
Current Ratio	1.87	0.80	1.24
Asset Sustainability Ratio	1.05	1.05	1.25
Debt Service Cover Ratio	16.61	13.47	16.51
Operating Surplus Ratio	0.39	0.21	0.11
Own Source Revenue Coverage Ratio	1.46	1.00	0.83

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 **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 68 of this document.

Two of the 2013 ratios disclosed above are distorted by an item of revenue totalling \$1,811,477 relating to the initial recognition of Land and Structures under the Shire's control in accordance with amendments to Financial Management Regulations (refer Notes 1(g) and Note 2(a)(ii) for further details.

This item forms part of operating revenue and has been included in the calculations above.

This item of revenue is considered to be a "one-off" and is non-cash in nature and, if it was ignored, the calculations disclosed in the 2013 column above would be as follows:

	2013
Debt Service Cover Ratio	11.93
Operating Surplus Ratio	0.16

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

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-13 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-14 \$
Public Open Space	225,500	0	0	225,500
Cleaning and Key Deposits	3,655	46,445	(36,760)	13,340
Other Trust Monies	49,589	138,090	(45,565)	142,114
Bonds and Guarantees	27,308	14,124	(8,360)	33,072
Nomination Deposit	80	400	(400)	80
Unclaimed Monies	6,691	0	0	6,691
BCITF Levy	144,475	204,755	(328,501)	20,729
BRB Levy	70,189	0	(52,285)	17,904
Consignment Stock	957	11,941	(12,268)	630
Tour Sales	54,635	170,430	(174,299)	50,766
	<u>583,079</u>			<u>510,826</u>

20. DISPOSALS OF ASSETS - 2013/14 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	149,208	0	0	0	(149,208)	0
Law, Order & Public Safety	3,004	0	0	0	(3,004)	0
Health	23,636	0	23,636	0	0	0
Housing	119,062	28,606	0	550,000	(119,062)	521,394
Community Amenities	6,624	0	0	0	(6,624)	0
Recreation & Culture	106,745	0	0	0	(106,745)	0
Transport	553,422	328,896	494,787	346,000	(58,635)	17,104
Economic Services	24,289	341,372	0	4,500,000	(24,289)	4,158,628
Other Property & Services	393,951	0	4,500,000	0	4,106,049	0
	<u>1,379,941</u>	<u>698,874</u>	<u>5,018,423</u>	<u>5,396,000</u>	<u>3,638,482</u>	<u>4,697,126</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-13 \$	New Loans		Principal Repayments		Principal 30-Jun-14		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Law, Order & Public Safety									
Loan 112 - Collocation Facility	38,226	0	0	38,226	38,226	0	0	614	1,749
Housing									
Loan 117 - Housing Manager	633,541	0	0	48,914	48,914	584,627	584,627	34,292	34,492
Loan 121 New Staff Housing	2,110,252	0	0	212,760	212,760	1,897,492	1,897,491	122,066	124,288
Recreation & Culture									
Loan 118 - Community Rec Centre	230,861	0	0	30,163	30,163	200,698	200,698	12,907	13,255
Transport									
Loan 116 - Onslow Aerodrome	219,497	0	0	49,430	49,430	170,067	170,067	14,007	14,287
Loan 119 - Onslow Aerodrome	233,945	0	0	12,027	12,027	221,918	221,918	14,873	14,875
Other Property & Services									
DSD Loan - Onslow Aerodrome Temporary Camp	2,688,486	225,000	0	1,165,396	1,165,396	1,748,090	1,748,090	0	0
	6,154,808	225,000	0	1,556,916	1,556,916	4,822,892	4,822,891	198,759	202,946

All debenture repayments are to be financed by general purpose revenue.
The interest component of Loan 112 is reimbursable by FESA.

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

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2013/14

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
DSD Loan - Onslow Aerodrome Temporary Camp	225,000	0	Dept. Of State Development	Debenture	3	0	0.0%	225,000	0	0

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-13 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-14 \$
Loan 121 New Staff Housing	29/04/2011	1,518,933	0	0	1,518,933 #
		1,518,933	0	0	1,518,933

- The unspent loan funds have been transferred to the Shire's Housing Reserve as at 30 June 2013 and is still being held in this reserve as at 30 June 2014.

(d) Overdraft

Council has an overdraft facility of \$500,000 with Westpac bank to assist with short term liquidity requirements. The physical balance of the bank overdraft at the bank as at 1 July 2013 and 30 June 2014 was \$Nil.

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

22. RATING INFORMATION - 2013/14 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 - Residential	3.6637	2,338	95,193,850	3,487,615	29,088	2,712	3,519,415	3,487,615	0	0	3,487,615
GRV - Commercial Civic	4.5788	64	16,224,684	742,896	10,821	0	753,717	742,896	0	0	742,896
GRV - Tourism	4.5788	5	901,600	41,282	0	0	41,282	41,282	0	0	41,282
GRV - Community	3.6637	16	569,360	20,860	916	0	21,776	20,860	0	0	20,860
GRV - Industrial	4.5788	82	4,952,790	226,778	(1,363)	0	225,415	226,778	0	0	226,778
UV - Rural/Pastoral	3.0655	32	7,212,744	221,107	(22)	(7)	221,078	221,107	0	0	221,107
UV - Rural/Industrial	33.757	44	13,439,270	4,536,694	20,731	31,983	4,589,408	4,536,694	0	0	4,536,694
UV - Mining Leases	33.757	728	15,777,186	5,325,905	5,140,322	4,338,354	14,804,581	5,325,905	238,000	7,900	5,571,805
UV - Tourism	14.867	4	345,000	51,291	0	0	51,291	51,291	0	0	51,291
Non Rateable		245	0	0	49,062	674	49,736	0	0	0	0
Sub-Totals		3,558	154,616,484	14,654,428	5,249,555	4,373,716	24,277,699	14,654,428	238,000	7,900	14,900,328
Minimum Rates	Minimum \$										
GRV - Residential	550	127	632,224	69,850	0	0	69,850	69,850	0	0	69,850
GRV - Commercial Civic	550	11	32,150	6,050	0	0	6,050	6,050	0	0	6,050
GRV - Tourism	550	0	0	0	0	0	0	0	0	0	0
GRV - Community	550	5	47,000	2,750	0	0	2,750	2,750	0	0	2,750
GRV - Industrial	550	26	112,035	14,300	0	0	14,300	14,300	0	0	14,300
UV - Rural/Pastoral	550	9	68,451	4,950	0	0	4,950	4,950	0	0	4,950
UV - Rural/Industrial	550	27	6,720	14,850	0	0	14,850	14,850	0	0	14,850
UV - Mining Lease	550	360	248,543	198,000	0	0	198,000	198,000	0	0	198,000
Sub-Totals		565	1,147,123	310,750	0	0	310,750	310,750	0	0	310,750
Ex-Gratia Rates							24,588,449				15,211,078
Discounts (<i>refer note 25</i>)							4,950				5,250
Rates Written Off							0				0
Movement in Excess Rates							(1,226)				(3,750)
Total Amount Raised from General Rate/ Total Rates							(15,017)				5,247
							24,577,156				15,217,825

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

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

(b) Information on Surplus/(Deficit) Brought Forward	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>9,183,913</u>	<u>153,995</u>	<u>153,995</u>
<u>Comprises:</u>			
Cash - Unrestricted	8,635,477	2,043,466	2,043,466
Cash - Restricted Unspent Grants	1,792,754	1,413,574	1,413,574
Cash - Restricted Unspent Loans	0	0	0
Cash - Restricted Reserves	23,848,396	9,996,395	9,996,395
Rates Outstanding	512,622	237,496	237,496
Sundry Debtors	3,469,158	5,972,993	5,972,993
GST Receivable	0	734,944	734,944
Prepayments	30,769	53,978	53,978
Accrued Income	177,394	2,437,533	2,437,533
Less: Provision for Doubtful Debts	(437,873)	(76,171)	(76,171)
Inventories			
- Fuel and Materials	58,714	29,434	29,434
- Tourist Bureau Stock	139,104	127,125	127,125
Less:			
Reserves - Restricted Cash			
- Employee Benefit Reserve	(316,484)	(308,662)	(308,662)
- Plant Replacement Reserve	(25,246)	(24,622)	(24,622)
- Infrastructure Reserve	(2,919,340)	(1,725,137)	(1,725,137)
- Housing Reserve	(1,989,231)	(1,970,400)	(1,970,400)
- Onslow Community Infrastructure Reserve	(37,216)	(36,296)	(36,296)
- Onslow Administration Building Reserve	(4,381,085)	0	0
- Property Development Reserve	(7,767,148)	(3,550,320)	(3,550,320)
- Unspent Grants and Contributions Reserve	(6,412,646)	(2,380,958)	(2,380,958)
Sundry Creditors	(3,781,976)	(11,074,647)	(11,074,647)
PAYG Payable	(208,546)	(248,845)	(248,845)
Income Received in Advance	(19,570)	(37,800)	(37,800)
GST Payable	(45,078)	0	0
ESL Liability	(241)	2,095	2,095
FBT Liability	(45,726)	(23,645)	(23,645)
Accrued Expenses	(178,611)	(590,448)	(590,448)
Accrued Interest on Loans	(25,311)	(29,496)	(29,496)
Accrued Salaries and Wages	(329,938)	(300,935)	(300,935)
Current Employee Benefits Provision	(875,693)	(825,318)	(825,318)
Current Loan Liability	(1,540,356)	(1,556,916)	(1,556,916)
Add Back : Component of Leave Liability not Required to be Funded	316,484	308,662	308,662
Add Back : Current Loan Liability	1,540,356	1,556,916	1,556,916
Surplus/(Deficit)	<u>9,183,913</u>	<u>153,995</u>	<u>153,995</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

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

23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

No specified area rates were levied in the 2013/14 financial year.

24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR

No Service Charges were imposed in the 2013/14 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2013/14 FINANCIAL YEAR**

No discount for early payment applied to rates in the 2013/14 year.

26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	N/A	55,997	35,000
Interest on Instalments Plan	5.50%	N/A	14,992	5,440
Interest on ESL	11.00%	N/A	1,400	800
Charges on Instalment Plan	N/A	10	5,010	5,003
			<u>77,399</u>	<u>46,243</u>

Ratepayers had the option of paying rates in four equal instalments, due on 28th October 2013, 6th January 2014, 6th March 2014 and 6th May 2014. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2014 \$	2013 \$
Governance	62,496	40,243
General Purpose Funding	8,107	9,715
Law, Order, Public Safety	65,637	53,289
Health	97,624	88,179
Education and Welfare	631	6,089
Housing	293,003	266,942
Community Amenities	3,964,601	4,792,041
Recreation and Culture	362,837	338,598
Transport	6,601,057	1,880,745
Economic Services	1,987,469	2,184,327
Other Property and Services	5,981,819	8,109,539
	<u>19,425,281</u>	<u>17,769,707</u>

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

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

28. GRANT REVENUE

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

	2014	2013
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	4,231,252	6,009,354
Non-Operating Grants, Subsidies and Contributions	19,414,123	24,155,702
	<u>23,645,375</u>	<u>30,165,056</u>
By Program:		
Governance	317,702	652,125
General Purpose Funding	2,252,920	4,234,278
Law, Order, Public Safety	473,368	50,070
Health	152,088	87,030
Education and Welfare	1,630,317	225,311
Housing	11,067	7,916
Community Amenities	344,087	1,238,066
Recreation and Culture	5,119,182	1,360,513
Transport	13,302,207	22,292,692
Economic Services	20,000	17,055
Other Property and Services	22,437	0
	<u>23,645,375</u>	<u>30,165,056</u>

29. ELECTED MEMBERS REMUNERATION

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

	2014	2014	2013
	\$	Budget	\$
		\$	
Meeting Fees	176,000	176,000	28,000
President's Attendance Fee	29,500	29,500	7,000
President's Allowance	60,000	60,000	10,000
Deputy President's Allowance	15,000	15,000	3,125
Travelling Expenses	99,618	70,000	51,586
Telecommunications Allowance	5,000	4,500	2,700
	<u>385,118</u>	<u>355,000</u>	<u>102,411</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2014	2013
	<u>136</u>	<u>152</u>

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

31. MAJOR LAND TRANSACTIONS***Onslow Industrial Development*****(a) Details**

Council owns, freehold, Lot 16 Onslow Rd, Onslow, and in order to meet demand for commercial/industrial land resulting from major resource projects, Council intends to subdivide this Lot into two Lots, Lot 16 and 9000. Council intends to sell Lot 16 as freehold.

(b) Current Year Transactions

	2014	2014	2013
	\$	Budget	\$
		\$	
OPERATING EXPENDITURE			
Land Transfer Expenditure	0	(30,000)	0
	<u>0</u>	<u>(30,000)</u>	<u>0</u>
Operating Surplus/(Deficit)	0	(30,000)	0
CAPITAL INCOME			
Transfer from Reserves	168,554	240,000	0
	<u>168,554</u>	<u>240,000</u>	<u>0</u>
CAPITAL EXPENDITURE			
Services Installation	0	(140,000)	0
Subdivision, Survey, Plan	0	0	(39,708)
Design & Planning	(168,554)	(147,000)	(149,271)
	<u>(168,554)</u>	<u>(287,000)</u>	<u>(188,979)</u>
NET RESULTS	<u><u>0</u></u>	<u><u>(77,000)</u></u>	<u><u>(188,979)</u></u>

The above capital expenditure is included in Land Held For Resale (refer Note 5 to this financial report).
There are no liabilities in relation to this land transaction as at 30 June 2014.

(c) Expected Future Cash Flows

	2014/15	2015/16	2017/18	2018/19	Total
Cash Inflows					
Land Sales	4,000,000	0	0	0	4,000,000
	<u>4,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,000,000</u>
Cash Outflows					
Land Transfer Expenditure	(30,000)	0	0	0	(30,000)
Services Installation	(70,000)	0	0	0	(70,000)
Design & Planning	(150,000)	0	0	0	(150,000)
	<u>(250,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(250,000)</u>
Net Cash Flows	<u><u>3,750,000</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,750,000</u></u>

The net cash flows to 30 June 2014 in relation to this development is an outflow (or cost) of \$196,764.
The net cash flows of the entire land transaction is expected to result in an inflow/income of \$3,553,236.

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

31. MAJOR LAND TRANSACTIONS (Continued)

Onslow Other Land Development

(a) Details

In 2013/14 financial Council undertook a major land transaction as defined under the Local Government Act 1995.

In 2008/09 Council purchased reserved land at Lot 555 and Lot 556, Beadon Creek Rd, Onslow. Council sought to dispose the Lots in 13/14 to support economic development and meet demand for short-term accommodation in Onslow.

The proceeds from the sale of Lot 555 and 556 Beadon Creek Road, Onslow have been transferred to reserves

(b) Current Year Transactions

	2014 \$	2014 Budget \$	2013 \$
OPERATING EXPENDITURE			
Land Selling Expenditure	(5,138)	(13,350)	0
	<u>(5,138)</u>	<u>(13,350)</u>	<u>0</u>
Operating Surplus/(Deficit)	(5,138)	(13,350)	0
CAPITAL INCOME			
Land Sales	4,500,000	4,500,000	0
	<u>4,500,000</u>	<u>4,500,000</u>	<u>0</u>
CAPITAL EXPENDITURE			
Transfers to Reserves	(4,500,000)	(4,500,000)	0
	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>0</u>
NET RESULTS	<u>(5,138)</u>	<u>(13,350)</u>	<u>0</u>

There are no liabilities in relation to this land transaction as at 30 June 2014.

(c) Expected Future Cash Flows

	2014/15	2015/16	2017/18	2018/19	Total
Cash Inflows					
Land Sales	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Outflows					
Land Selling Expenditure	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The net cash flows to 30 June 2014 in relation to this development is an inflow (or income) of \$4,494,862.
The net cash flows of the entire land transaction is expected to result in an inflow/income of \$4,494,862.

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

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

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

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	34,276,627	13,453,435	34,276,627	13,453,435
Receivables	3,752,070	9,361,038	3,752,070	9,361,038
	<u>38,028,697</u>	<u>22,814,473</u>	<u>38,028,697</u>	<u>22,814,473</u>
Financial Liabilities				
Payables	4,634,997	12,303,721	4,634,997	12,303,721
Borrowings	4,822,892	6,154,808	4,158,564	5,470,090
	<u>9,457,889</u>	<u>18,458,529</u>	<u>8,793,561</u>	<u>17,773,811</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 ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

Cash is subject to interest rate risk – the risk that movements in interest rates could affect returns.

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

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

	2014	2013
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	188,582	180,331
- Statement of Comprehensive Income	188,582	180,331

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

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:

	2014	2013
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	72.52%	91.26%
- Overdue	27.48%	8.74%
Percentage of Deferred Rates Receivables		
- Current	0.00%	0.00%
- Overdue	0.00%	100.00%

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

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:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2014</u>					
Payables	4,634,997	0	0	4,634,997	4,634,997
Borrowings	1,719,885	2,381,872	1,217,742	5,319,499	4,822,892
	<u>6,354,882</u>	<u>2,381,872</u>	<u>1,217,742</u>	<u>9,954,496</u>	<u>9,457,889</u>
<u>2013</u>					
Payables	12,303,721	0	0	12,303,721	12,303,721
Borrowings	1,759,860	3,610,985	1,708,515	7,079,360	6,154,808
	<u>14,063,581</u>	<u>3,610,985</u>	<u>1,708,515</u>	<u>19,383,081</u>	<u>18,458,529</u>

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

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:

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2014</u>								
Borrowings								
Fixed Rate								
Debentures	0	1,748,090	170,066	0	0	2,904,736	4,822,892	3.78%
Weighted Average Effective Interest Rate		0.00%	6.79%			5.89%		
<u>Year Ended 30 June 2013</u>								
Borrowings								
Fixed Rate								
Debentures	38,226	0	2,688,486	219,497	0	3,208,599	6,154,808	3.35%
Weighted Average Effective Interest Rate	5.97%		0.00%	6.79%		5.89%		

SHIRE OF ASHBURTON

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2014

34. PRIOR PERIOD CORRECTIONS

The following adjustments have been made to comparative amounts in the 30 June 2014 Financial Report to bring to account financial activity that was incorrectly stated in 2012/13. Details of this activity is listed below:-

- 1) In 2005/06 the Shire contributed towards the construction of the Tom Price Community Recreation Centre which is owned by the Minister for Education. This transaction was capitalised in the books of the Shire, becoming a fixed asset and subsequently depreciated at 2% per annum. This transaction should have been expensed by the Shire in 2005/06. The error has now been identified and the necessary adjustments have been affected.

As a result, Buildings at Cost of \$1,998,052 and total depreciation of \$335,546 was written back prior to 30 June 2013 as follows:

i) Buildings at Cost of \$1,998,052 and depreciation of \$295,585 written back prior to 2012/13. These were adjusted against the opening balance of retained surplus as at 1 July 2012.

i) Depreciation of \$39,961 written back prior to 2012/13. This was adjusted against depreciation for that year and Land & Buildings accordingly.

- 2) Expenditure of \$55,880 was recognised as Land Vested in and Under the control of Council in 2013 should have been recognised as Infrastructure - Other.

	Refer Notes Above	Financial Report 2013 \$	Corrected Comparative 2013 \$	Adjustment \$
STATEMENT OF COMPREHENSIVE INCOME				
<i>BY NATURE OR TYPE:-</i>				
Expenses - Depreciation	1	(7,811,928)	(7,771,967)	39,961
Net Result	1	31,996,197	32,036,158	39,961
Total Comprehensive Income	1	32,678,102	32,718,063	39,961
<i>BY PROGRAM:-</i>				
Expenses - Recreation & Culture	1	(5,723,499)	(5,683,538)	39,961
Net Result	1	31,996,197	32,036,158	39,961
Total Comprehensive Income	1	32,678,102	32,718,063	39,961
STATEMENT OF FINANCIAL POSITION				
Property, Plant and Equipment	1,2	47,251,403	45,533,017	(1,718,386)
Infrastructure	2	119,961,497	120,017,377	55,880
Retained Surplus	1,2	160,336,716	158,674,210	(1,662,506)
STATEMENT OF CHANGES IN EQUITY				
<i>Retained Surplus:-</i>				
Balance at 1 July 2012	1	130,221,662	128,519,195	(1,702,467)
Balance at 30 June 2013	1	160,336,716	158,674,210	(1,662,506)
RATE SETTING STATEMENT				
Expenses - Recreation & Culture	1	(6,108,242)	(6,068,281)	39,961
Net Result Excluding Rates	1	19,231,856	19,271,817	39,961
Depreciation and Amortisation on Assets	1	7,811,928	7,771,967	(39,961)
NOTE 2 - REVENUES AND EXPENSES				
Depreciation				
Buildings	1	1,045,335	1,005,374	(39,961)

SHIRE OF ASHBURTON

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2014

34. PRIOR PERIOD CORRECTIONS (Continued)

	Refer Notes Above	Financial Report 2013 \$	Corrected Comparative 2013 \$	Adjustment \$
NOTE 6 - PROPERTY, PLANT AND EQUIPMENT				
Land Vested in and under the control of Council at:				
- Cost	2	975,413	919,533	(55,880)
Buildings:				
- Cost	1,2	37,775,959	35,777,907	(1,998,052)
Accumulated Depreciation - Buildings	1	(6,898,001)	(6,562,455)	335,546
<i>Movements in Carrying Amounts:-</i>				
Balance at the beginning of the year				
- Land	2	1,369,143	1,313,263	(55,880)
- Buildings Specialised	1	20,043,380	18,380,874	(1,662,506)
NOTE 7 - INFRASTRUCTURE				
Other Infrastructure - Cost	2	23,807,609	23,863,489	55,880
<i>Movements in Carrying Amounts:-</i>				
Balance at the beginning of the year - Other	2	22,190,706	22,246,586	55,880
NOTE 17 - TOTAL ASSETS				
Recreation & Culture	1	31,863,351	30,200,845	(1,662,506)

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF ASHBURTON

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Ashburton, which comprises the statement of financial position as at 30 June 2014, 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. Those 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 management, 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 Ashburton 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 2014 and of its financial performance and its cash flows for the year ended on that date; and
- b. complying with Australian Accounting Standards (including Australian Accounting Interpretations).

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS


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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 68 of this report, we have reviewed the calculation for the Asset Consumption Ratio as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information

The Asset Renewal Funding Ratio was not calculated and hence no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Date: 19 January 2015
Perth, WA

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

WEN-SHIEN CHAI
PARTNER

**SHIRE OF ASHBURTON
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2014**

RATIO INFORMATION

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

	2014	2013	2012
Asset Consumption Ratio	0.65	0.50	N/A
Asset Renewal Funding Ratio (NOTE 1)	N/A	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 2012 year have not been reported as financial information is not available.

NOTE 1 - The Shire had not yet adopted its Asset Management Plans and Long Term Financial Plan so this ratio has not been calculated for 2013 and 2014.



4 July 2014

The Chair
Audit Committee
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751



Dear Councillor

INTERIM AUDIT VISIT

We have completed our onsite procedures in respect of our interim audit visit on 3 and 4 June 2014 and attach a list of matters raised with management during our exit meeting for your attention.

Please note, we will follow these up during our final visit later in the year to help ensure appropriate action has been implemented.

This letter, together with the attached matters are provided for the purposes of general information only and are not part of our formal audit reporting process. Our audit and management reports will be formally issued at the conclusion of our audit in respect of the year ended 30 June 2014.

If you have any queries regarding these or other matters, please contact me.

Yours sincerely

WEN-SHIEN CHAI
PARTNER

cc: Mr Neil Hartley – Chief Executive Officer

SHIRE OF ASHBURTON

INTERIM AUDIT VISIT
YEAR ENDED 30 JUNE 2014
MATTERS NOTED & REQUIRING FOLLOW UP



*Powerful insights
Astute advice*

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1.0 COMPLIANCE

1.1 TENDER REGISTER

OBSERVATION

The register did not include:

- the particulars of the making of the decision to invite tenders for Tender 19/13 and 20/13;
- a copy of the notice of the invitation to tender for Tender 19/13, 20/13, 12/14 and 13/14; and
- the name of the successful tenderer for Tender 14/13, 18/13, 19/13, 20/13, 10/14 and 13/14.

COMMENT

To help ensure compliance with Local Government (Functions and General) Regulation 17, a process should be implemented to help ensure the tender register is promptly updated and these requirements are correctly addressed.

1.2 ANNUAL AND PRIMARY RETURNS

OBSERVATION

Whilst reviewing the annual and primary returns of Councillors and Staff (the responsibility of which rests with the individual completing them), we noted the following:

- Two councillors returns contained sections which had been left blank; and
- Three designated employees incorrectly completed Section 2(a) "Source of income" of their annual returns with "Nil" or "N/A".

COMMENT

To help ensure compliance with Department of Local Government and Regional Development Circular no. 18-2005:

- all sections should be completed. We note it is acceptable to record N/A, Nil or No Change or to rule a clear line through a N/A section whilst leaving sections blank is not recommended practice. This will also help to ensure returns submitted are not at risk of being amended; and
- designated employees should state their employment with the Shire at Section 2(a) "Source of income" of their annual returns.

Whilst we note the CEO or any other Shire staff are not responsible for the content of returns submitted, we note it is acceptable, and quite common, for the content to be reviewed prior to receipt being acknowledged.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



1.0 COMPLIANCE (CONTINUED)

1.3 ANNUAL REPORT

OBSERVATION

The report for the year ended 30 June 2013 did not include information regarding complaints as required by Section 5.53(2)(hb) of the Local Government Act.

COMMENT

To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.

1.4 INVESTMENT POLICY

OBSERVATION

Our review of the Shire's investment policy regarding the restrictions on investment of money revealed it does not comply with Financial Management Regulation 19C.

COMMENT

Council should review its current investment policy to help ensure it is in line with the amended requirements.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



2.0 SYSTEM AND PROCEDURES

2.1 PURCHASES, PAYMENTS AND PAYABLES

OBSERVATION

During our review of purchase orders, we noted (out of the sample of twenty two):

- two instances where the purchase orders were raised after the service was performed or the goods were received.
- three instances where the purchase orders were not attached to the supplier invoice.

COMMENT

All authorised officers should be "reminded" of the need to ensure purchase orders are raised prior to the time of authorising works/services or ordering goods. This will help to ensure goods/services have been appropriately ordered and authorised, and also helps ensure budget responsibility.

Purchases made without orders may commit the Shire to unauthorised expenditure. It is important for all purchasing to follow a documented procedure to control expenditure and ensure the dollar value limits set for staff are not exceeded.

Whilst we acknowledge compensating controls exist whereby the relevant expenditure is controlled by budgets and spending limits, ensuring purchase orders are written out and matched to invoices provides a higher level of control.

2.2 BANK RECONCILIATIONS

OBSERVATION

Our review of bank reconciliations for all accounts noted they did not always have evidence of being reviewed by a senior officer independent of preparation.

COMMENT

Bank reconciliations are of primary control importance and are the catalyst for many transactions in other ledger accounts.

To help ensure the bank reconciliations are correct, as well as prepared regularly and promptly, they should be reviewed by a senior staff member. This review should also seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



2.0 SYSTEM AND PROCEDURES (CONTINUED)

2.3 MONTH END PROCEDURES

OBSERVATION

Our review of all the month end reconciliations revealed the following:

- Whilst payroll reconciliation was performed on a regular basis, differences between payroll report and general ledger totals were not promptly investigated and cleared; and
- Whilst fixed assets reconciliation was performed on a monthly basis they did not have evidence of being reviewed by senior officer independent of preparation.

COMMENT

To help ensure the completeness and accuracy of sub ledgers, differences between payroll report and general ledger totals should be promptly investigated and cleared.

These reconciliations should be signed and dated by the preparer thereof and should be independently reviewed.

2.4 DISASTER AND EMERGENCY PLANS

OBSERVATION

During our review of the Council policies, we noted no Disaster or Emergency Plans were documented.

COMMENT

To help ensure continuity of Council operations in the case of a disaster or emergency a Disaster or Emergency Plan should be developed and adopted.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



3.0 STATUS OF FAIR VALUE ACCOUNTING

OBSERVATION

As mandated by Financial Management Regulation 17A, a local government in Western Australia must show all of the assets in its financial report at fair value by 30 June 2015.

Implementation is to be phased in over three years from 1 July 2012. For the year ended 30 June 2013 (last year), the Shire reported all of its plant and equipment (including office equipment) at fair value. This year (ending 30 June 2014), the Shire will have to report either all of its land and buildings or infrastructure assets at fair value.

During our interim audit visit, we made observations and held discussions with a view to assessing the Shire's status for meeting the requirement and noted the following:

MAJOR TASK REQUIRED	OBJECTIVE	STATUS
Design of an overall strategy and plan.	To ensure resources are available and organised for proper implementation and hence compliance with regulations in respect to fair value reporting. This also helps to ensure external services are scoped properly.	Management considered the process and decided to adopt fair value accounting for land & buildings for the current financial year ending 30 June 2014. Management has engaged an independent valuer (APV Valuers and Asset Management) to perform a desktop valuation of land & buildings as at 30 June 2014 (based on the full valuation performed in 2012).
Selection of the valuation method (including fair value hierarchy) for different classes or segmentation of assets.	To ensure the most appropriate approach and hierarchy of fair value inputs for valuation techniques are applied.	Management will rely on the expertise of the independent valuer.
Consideration and application of Highest and Best Use valuation principles	To help ensure proper disclosure in accordance with paragraph 93 of AASB 13 "Fair Value Measurement" i.e. need to disclose fact and why an asset is being used in a manner different from its highest and best use.	Management indicated this will be duly considered through proper scoping with the independent valuer.
Review of accounting policies in respect of fair value reporting and disclosure requirements.	To ensure fair value accounting and relevant disclosure requirements are properly incorporated and adopted for financial reporting purposes.	Review of accounting policies has taken place and where necessary relevant amendments will be made.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



3.0 STATUS OF FAIR VALUE ACCOUNTING (CONTINUED)

OBSERVATION (CONTINUED)

<u>MAJOR TASK INVOLVED</u>	<u>OBJECTIVE</u>	<u>STATUS</u>
Review of Assets Capitalisation Policy for fair value reporting purposes.	To help ensure capitalisation thresholds for different classes of assets are reasonable in term of materiality and practicality.	Asset Capitalisation Policy for fair value purposes is being continually assessed and where necessary relevant changes will be submitted to Council for consideration and approval.
Review of current fixed assets system and records for fair value reporting purposes.	To help ensure the asset system and records are up-to-date and complete with all information required (including asset hierarchy with appropriate segmentation, condition, initial cost, previous revaluation increment and etc), prior to the commencement of the valuation. Also, this helps to ensure detailed information (i.e. initial cost recognised, fair value, annual useful life & residual value, basis and support of valuation etc) for each individual asset is adequately maintained post revaluation.	Staff has commenced this for the valuation of land and buildings. All other classes of assets will be considered in due course.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



3.0 STATUS OF FAIR VALUE ACCOUNTING (CONTINUED)

OBSERVATION (CONTINUED)

In summary, Management are fully aware of the mandated requirement and indicated that they have dealt with all the major tasks identified above to ensure proper adoption of fair value accounting and compliance with Financial Management Regulation 17A for the Shire's land & buildings.

The independent valuer has been engaged and the valuation report is expected to be completed by 31 July 2014.

For the remaining classes of assets, Management will consider and deal with the tasks identified above by the final due date being 30 June 2015.

COMMENT

Whilst Management will be relying on the valuer's expertise in selecting the valuation methodology for the Shire's land and buildings, it is important to take note that it is still Management's responsibility to carefully consider the appropriateness of the methodology used in the context of AASB 13 and the Shire's circumstances.

It is also important to ensure relevant valuation data are readily available post valuation for the Shire to calculate the depreciation of the revalued assets moving forward.

We will follow up at year end with a view to ensuring fair value accounting in relation to the Shire's land & buildings has been properly addressed. We will also monitor whether adequate progress has been made in respect of other classes of assets.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



4.0 REMINDERS

- As required by Audit Regulation 17, the CEO is to review and report to the audit committee on the appropriateness and effectiveness of systems and procedures relating to:
 - Risk Management;
 - Internal Controls; and
 - Legislative Compliance.

The deadline for the first report is 31 December 2014.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



19 January 2015

Mr N Hartley
 Chief Executive Officer
 Shire of Ashburton
 PO Box 567
 TOM PRICE WA 6751

16 Lakeside Corporate | 24 Parkland Road
 Osborne Park | Perth | WA | 6017
 PO Box 1707 | Osborne Park | WA | 6916
 t: + 61 8 9444 3400 | f: + 61 8 9444 3430
 perth@uhyhn.com.au | www.uhyhn.com



Dear Neil

**AUDIT OF SHIRE OF ASHBURTON
 FOR THE YEAR ENDED 30 JUNE 2014**

We advise that we have completed the audit of your Shire for the year ended 30 June 2014 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

WEN-SHIEN CHAI
 PARTNER

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF ASHBURTON

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Ashburton, which comprises the statement of financial position as at 30 June 2014, 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. Those 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 management, 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 Ashburton 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 2014 and of its financial performance and its cash flows for the year ended on that date; and
- b. complying with Australian Accounting Standards (including Australian Accounting Interpretations).

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS


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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 68 of this report, we have reviewed the calculation for the Asset Consumption Ratio as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information

The Asset Renewal Funding Ratio was not calculated and hence no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Date: 19 January 2015
Perth, WA

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

WEN-SHIEN CHAI
PARTNER

19 January 2015

The Shire President
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751

16 Lakeside Corporate | 24 Parkland Road
Osborne Park | Perth | WA | 6017
PO Box 1707 | Osborne Park | WA | 6916
t: + 61 8 9444 3400 | f: + 61 8 9444 3430
perth@uhyhn.com.au | www.uhyhn.com



Dear Cr White

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2014

We advise that we have completed our audit procedures for the year ended 30 June 2014 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.

COMMENT ON RATIOS

Last year (the year ended 30 June 2013) we saw the introduction of new financial reporting ratios for local governments in Western Australia.

This year (the year ended 30 June 2014) is the second year of these new ratios and the information relating to these ratios is summarised below:

	Target Ratio ¹	Shire's Actual Ratios			3 Year Trend ²
		2014	2013	2012	
Current Ratio	≥ 1	1.87	0.80	1.24	↑
Asset Sustainability Ratio	≥ 1.1	1.05	1.05	1.25	↓
Debt Service Cover Ratio	≥ 15	16.61	11.93*	16.51	↑
Operating Surplus Ratio	≥ 0.15	0.39	0.16*	0.11	↑
Own Source Revenue Coverage Ratio	≥ 0.9	1.46	1.00	0.83	↑
Asset Consumption Ratio	≥ 0.75	0.65	0.50	N/A	↑
Asset Renewal Funding Ratio ³	≥ 1.05	N/A	N/A	N/A	N/A

Key

Above target as per guidelines

Within acceptable banding as per guidelines

Below acceptable banding as per guidelines

¹ Target ratios per Department of Local Government and Communities Guidelines (DLGC) except the Debt Service Cover Ratio which is a target devised by UHY Haines Norton (and based on experience). For information, DLGC Guidelines establish a target Debt Service Cover Ratio of 5.

² The 3 year trend compares the 2014 ratio to the average of the last 3 years (except for the Asset Consumption Ratio which is a 2 year trend).

³ This ratio was not calculated (see our comments below)

* Adjusted for "one-off" non-cash items.

COMMENT ON RATIOS (CONTINUED)

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Whilst not conclusive in themselves, understanding ratios, their trends and how they interact is beneficial for the allocation of scarce resources and planning for the future.

Currently (apart from the Asset Renewal Funding Ratio – see our comments below) all of the Shire's ratios are either within acceptable banding or above target.

Asset Renewal Funding Ratio

This ratio indicates whether the Shire's planned capital renewal expenditure over the next 10 years as per its Long Term Financial Plan (LTFP) is sufficient to meet the required capital renewal expenditure over the next 10 years as per its Asset Management Plans (AMPs).

As the Shire's LTFP and AMPs have not been completed yet, this ratio was not calculated for the year ended 30 June 2014 (as was the case for the year ended 30 June 2013).

To enable proper calculation of this ratio and to help identify gaps between planned and required capital expenditure, the Council should complete and adopt LTFP and AMPs for the Shire as a matter of urgency. This will also help ensure proper compliance with statutory reporting requirement on integrated planning.

Summary

Whilst all ratios (with the exception of the Current Ratio) are new and it may take some time for their implication to be fully understood, they should be duly considered in context of the Shire's circumstances as part of the overall financial management of the Shire.

In addition, one off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating predicament of the Shire.

As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

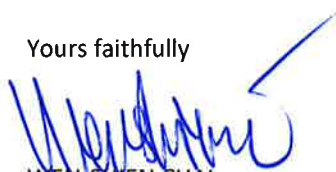
We noted no other matters we wish to draw to Council's attention.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements above \$10,000 noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer 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



WEN SHYEN CHAI

PARTNER

Encl