



SHIRE OF ASHBURTON

AUDIT COMMITTEE MEETING

AGENDA & ATTACHMENTS

**Onslow Business House,
Second Ave, Onslow**

**13 March 2013
Commencing at 7.30am**

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 13 March 2013 at the Onslow Business House (connection via instantaneous communication) at 07.30am.

The business to be transacted is shown in the Agenda.

Frank Ludovico
A/CHIEF EXECUTIVE OFFICER

7 March 2013

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

Commissioner Ron Yureyovich

Mr Chris Burton (Auditor, BDO) via telephone

Mr F Ludovico, A/Chief Executive Officer

2.2 APOLOGIES

2.2 APPROVED LEAVE OF ABSENCE

Nil

3. ELECTION OF CHAIRPERSON

4. ANNOUNCEMENT OF VISITORS

Mr Chris Burton (Auditor) BDO (Audit) will be contacted by telephone to address the Committee at 07.30am.

5. DECLARATION BY MEMBERS

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

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

That the Minutes of the Audit Committee held on 11 April 2012 be accepted as true and correct.

7. 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

8. AGENDA ITEMS

8.1 REVIEW OF 2011/2012 INDEPENDANT AUDIT REPORT AND MANAGEMENT REPORT

FILE REFERENCE:	FI.AU.10.11
AUTHOR'S NAME AND POSITION:	Frank Ludovico A/Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	7 March 2013
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in this matter
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

The Auditors conducted the Annual Financial Audit for 2011/2012 during October 2012. This Item discusses the outcomes of that Audit.

Background

Audit procedures have been completed and the Audit Report for the year ended 30 June 2012 has been prepared by Council Auditors BDO (Audit).

Attached are Council's Annual Report, Audit Report and Management Letter

ATTACHMENT 8.1A.
ATTACHMENT 8.2B

No issues were noted to be brought to the attention of Council in the Audit Report. The Management Letter raises issues which will be addressed by staff. It is pleasing to note this positive outcome is a result of the ongoing hard-work of all staff members within the Corporate Services.

Officer's Recommendation

That the Audit Committee recommend to Council the acceptance the 2011/2012 Independent Audit Report, Management Report and Annual Report.

9. NEXT MEETING

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

10.CLOSURE OF MEETING

SHIRE OF ASHBURTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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SHIRE OF ASHBURTON

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2012

**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 other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the Shire of Ashburton at 30th June 2012 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 on the 21 day of December 2012.



Frank Ludovico
Acting Chief Executive Officer

SHIRE OF ASHBURTON
STATEMENT OF COMPEREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
REVENUE				
Rates	22	10,669,261	9,638,676	8,591,524
Operating Grants, Subsidies and Contributions	28	7,858,655	7,262,109	5,823,701
Fees and Charges	27	11,344,255	18,543,277	8,699,968
Interest Earnings	2(a)	589,693	705,050	921,203
Other Revenue		359,800	396,400	333,285
		<u>30,821,664</u>	<u>36,545,512</u>	<u>24,369,681</u>
EXPENSES				
Employee Costs		(9,151,328)	(9,122,226)	(8,277,811)
Materials and Contracts		(12,465,628)	(23,130,780)	(10,543,361)
Utility Charges		(552,562)	(647,676)	(394,200)
Depreciation on Non-Current Assets	2(a)	(6,802,091)	(6,066,173)	(6,276,077)
Interest Expenses	2(a)	(244,053)	(253,764)	(132,202)
Insurance Expenses		(866,096)	(888,704)	(787,018)
Other Expenditure		(186,831)	(303,308)	(234,055)
		<u>(30,268,589)</u>	<u>(40,412,631)</u>	<u>(26,644,724)</u>
		553,075	(3,867,119)	(2,275,043)
Non-Operating Grants, Subsidies and Contributions	28	4,405,086	35,152,034	2,526,354
Profit on Asset Disposals	20	1,576,410	0	798,434
Loss on Asset Disposal	20	(17,991)	0	(17,210)
		<u>6,516,580</u>	<u>31,284,915</u>	<u>1,032,535</u>
NET RESULT				
		6,516,580	31,284,915	1,032,535
Other Comprehensive Income				
Nil		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>6,516,580</u></u>	<u><u>31,284,915</u></u>	<u><u>1,032,535</u></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 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
REVENUE				
Governance		304,692	133,100	171,574
General Purpose Funding		17,309,992	13,849,436	14,099,696
Law, Order, Public Safety		143,466	131,364	136,271
Health		237,375	215,002	164,642
Education and Welfare		257,955	363,000	147,191
Housing		58,424	24,000	27,416
Community Amenities		4,707,620	3,500,920	2,688,812
Recreation and Culture		457,261	754,500	613,163
Transport		687,182	1,877,435	406,543
Economic Services		1,398,485	1,637,400	1,440,123
Other Property and Services		5,259,212	14,059,355	4,474,250
	2 (a)	<u>30,821,664</u>	<u>36,545,512</u>	<u>24,369,681</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(3,437,109)	(3,139,293)	(2,634,972)
General Purpose Funding		(461,519)	(433,810)	(284,921)
Law, Order, Public Safety		(676,560)	(751,174)	(786,050)
Health		(512,295)	(482,682)	(396,979)
Education and Welfare		(551,897)	(655,774)	(545,469)
Housing		(492,219)	(196,124)	(519,049)
Community Amenities		(3,753,021)	(3,887,033)	(3,209,009)
Recreation & Culture		(5,483,055)	(5,589,352)	(4,789,964)
Transport		(7,618,192)	(8,519,715)	(7,353,270)
Economic Services		(1,277,537)	(2,857,825)	(1,258,857)
Other Property and Services		(5,761,132)	(13,646,085)	(4,759,508)
	2 (a)	<u>(30,024,536)</u>	<u>(40,158,867)</u>	<u>(26,538,048)</u>
FINANCE COSTS				
Law, Order, Public Safety		(5,050)	(6,058)	(7,078)
Housing		(186,136)	(193,834)	(41,730)
Recreation & Culture		(16,272)	(17,033)	(17,786)
Transport		(36,595)	(36,839)	(40,082)
	2 (a)	<u>(244,053)</u>	<u>(253,764)</u>	<u>(106,676)</u>
NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS				
Community Amenities		137,727	1,137,100	9,810
Recreation & Culture		785,147	2,175,674	981,227
Transport		3,482,212	29,339,260	1,535,317
Economic Services		0	1,500,000	0
Other Property and Services		0	1,000,000	0
		<u>4,405,086</u>	<u>35,152,034</u>	<u>2,526,354</u>
PROFIT/(LOSS) ON DISPOSAL OF ASSETS				
Transport		27,632	0	110,497
Other Property and Services		1,530,787	0	670,727
		<u>1,558,419</u>	<u>0</u>	<u>781,224</u>
NET RESULT		<u>6,516,580</u>	<u>31,284,915</u>	<u>1,032,535</u>
Other Comprehensive Income				
Nil		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>6,516,580</u></u>	<u><u>31,284,915</u></u>	<u><u>1,032,535</u></u>

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

**SHIRE OF ASHBURTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2012**

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	11,015,503	15,852,111
Trade and Other Receivables	4	4,833,318	2,928,156
Inventories	5	<u>2,980,798</u>	<u>1,165,505</u>
TOTAL CURRENT ASSETS		<u>18,829,619</u>	<u>19,945,772</u>
NON-CURRENT ASSETS			
Other Receivables	4	658	530
Inventories	5	7,785	0
Property, Plant and Equipment	6	36,834,205	33,269,528
Infrastructure	7	<u>91,836,761</u>	<u>86,840,901</u>
TOTAL NON-CURRENT ASSETS		<u>128,679,409</u>	<u>120,110,959</u>
TOTAL ASSETS		<u>147,509,028</u>	<u>140,056,731</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	4,913,600	3,799,290
Long Term Borrowings	9	368,891	347,575
Provisions	10	<u>923,152</u>	<u>740,685</u>
TOTAL CURRENT LIABILITIES		<u>6,205,643</u>	<u>4,887,550</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	3,466,322	3,835,213
Provisions	10	<u>108,938</u>	<u>122,423</u>
TOTAL NON-CURRENT LIABILITIES		<u>3,575,260</u>	<u>3,957,636</u>
TOTAL LIABILITIES		<u>9,780,903</u>	<u>8,845,186</u>
NET ASSETS		<u>137,728,125</u>	<u>131,211,545</u>
EQUITY			
Retained Surplus		129,171,511	119,178,961
Reserves - Cash Backed	11	8,115,252	11,591,222
Reserves - Asset Revaluation	12	<u>441,362</u>	<u>441,362</u>
TOTAL EQUITY		<u>137,728,125</u>	<u>131,211,545</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 2012**

NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010	108,131,080	21,606,568	441,362	130,179,010
Net Result	1,032,535	0	0	1,032,535
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	10,015,346	(10,015,346)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2011	119,178,961	11,591,222	441,362	131,211,545
Net Result	6,516,580	0	0	6,516,580
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	3,475,970	(3,475,970)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2012	<u>129,171,511</u>	<u>8,115,252</u>	<u>441,362</u>	<u>137,728,125</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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		10,561,378	9,700,681	8,503,486
Operating Grants, Subsidies and Contributions		8,291,030	7,518,709	6,256,076
Fees and Charges		9,295,503	20,098,542	9,627,154
Interest Earnings		589,693	705,050	921,203
Goods and Services Tax		2,558,225	604,081	2,630,093
Other Revenue		360,935	396,400	420,189
		<u>31,656,764</u>	<u>39,023,463</u>	<u>28,358,201</u>
Payments				
Employee Costs		(8,919,793)	(9,168,306)	(8,086,355)
Materials and Contracts		(11,375,407)	(22,758,128)	(12,947,260)
Utility Charges		(552,562)	(647,676)	(394,200)
Insurance Expenses		(866,096)	(888,704)	(787,018)
Interest expenses		(291,173)	(253,764)	(119,775)
Goods and Services Tax		(2,694,972)	(716,817)	(2,904,552)
Other Expenditure		(186,831)	(377,287)	(234,055)
		<u>(24,886,834)</u>	<u>(34,810,682)</u>	<u>(25,473,215)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>6,769,930</u>	<u>4,212,781</u>	<u>2,884,986</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(3,299,730)	(2,958,272)	(673,838)
Payments for Purchase of Property, Plant & Equipment		(5,399,382)	(15,826,875)	(9,270,097)
Payments for Construction of Infrastructure		(12,738,541)	(43,611,819)	(6,843,699)
Payments for Works in Progress		2,546,728	0	(2,345,931)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		4,405,086	35,152,034	2,941,604
Proceeds from Sale of Plant & Equipment		3,226,876	12,355,100	1,189,963
		<u>3,226,876</u>	<u>12,355,100</u>	<u>1,189,963</u>
Net Cash Provided By (Used In) Investing Activities		<u>(11,258,963)</u>	<u>(14,889,832)</u>	<u>(15,001,998)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(347,575)	(355,523)	(149,156)
Proceeds from New Debentures		0	562,000	2,500,000
		<u>0</u>	<u>562,000</u>	<u>2,500,000</u>
Net Cash Provided By (Used In) Financing Activities		<u>(347,575)</u>	<u>206,477</u>	<u>2,350,844</u>
Net Increase (Decrease) in Cash Held		(4,836,608)	(10,470,574)	(9,766,168)
Cash at Beginning of Year		15,852,111	15,906,500	25,618,279
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>11,015,503</u></u>	<u><u>5,435,926</u></u>	<u><u>15,852,111</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 2012**

	NOTE	2012 \$	2012 Budget \$
REVENUE			
Governance		304,692	133,100
General Purpose Funding		6,640,731	4,210,760
Law, Order, Public Safety		143,466	131,364
Health		237,375	215,002
Education and Welfare		257,955	363,000
Housing		58,424	24,000
Community Amenities		4,845,347	4,638,020
Recreation and Culture		1,242,408	2,930,174
Transport		4,215,017	31,216,695
Economic Services		1,398,485	3,137,400
Other Property and Services		6,789,999	15,059,355
		<u>26,133,899</u>	<u>62,058,870</u>
EXPENSES			
Governance		(3,437,109)	(3,139,293)
General Purpose Funding		(461,519)	(433,810)
Law, Order, Public Safety		(681,610)	(757,232)
Health		(512,295)	(482,682)
Education and Welfare		(551,897)	(655,774)
Housing		(678,355)	(389,958)
Community Amenities		(3,753,021)	(3,887,033)
Recreation & Culture		(5,499,327)	(5,606,385)
Transport		(7,672,778)	(8,556,554)
Economic Services		(1,277,537)	(2,857,825)
Other Property and Services		(5,761,132)	(13,646,085)
		<u>(30,286,580)</u>	<u>(40,412,631)</u>
Net Operating Result Excluding Rates		(4,152,681)	21,646,239
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		(1,558,419)	0
Movement in Leave Reserve (Added Back)		5,676	0
Movement in Deferred Pensioner Rates (Non-Current)		(128)	0
Movement in Employee Benefit Provisions (Non-Current)		(13,485)	0
Adjustment for Rounding		0	0
Depreciation on Assets		6,802,091	6,066,173
Capital Expenditure and Revenue			
Purchase Land Held for Resale		(3,299,730)	(2,958,272)
Purchase Work in Progress		2,546,728	0
Purchase Land and Buildings		(3,759,931)	(12,496,799)
Purchase Plant and Equipment		(1,334,310)	(2,838,176)
Purchase Furniture and Equipment		(305,141)	(491,900)
Purchase Infrastructure Assets - Roads		(2,691,635)	(9,390,814)
Purchase Infrastructure Assets - Footpaths		(133,120)	(581,206)
Purchase Infrastructure Assets - Drainage		(547,577)	(1,345,287)
Purchase Infrastructure Assets - Parks & Ovals		(166,506)	(898,000)
Purchase Infrastructure Assets - Other		(9,199,703)	(31,396,512)
Proceeds from Disposal of Assets		3,226,876	12,355,100
Repayment of Debentures		(347,575)	(355,523)
Proceeds from New Debentures		0	562,000
Transfers to Reserves (Restricted Assets)		(498,280)	(3,523,158)
Transfers from Reserves (Restricted Assets)		3,974,250	12,521,537
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		2,950,568	3,485,922
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		2,167,229	0
Amount Required to be Raised from Rates	22	<u>(10,669,261)</u>	<u>(9,638,676)</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 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to these financial statements.

(c) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

Receivables and payables in the statement of financial position are stated inclusive of applicable GST. 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.

(d) Cash and Cash Equivalents

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

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

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and Other Receivables

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

(f) Inventories

General

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

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

Land Held for Resale

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

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

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

(g) Fixed Assets

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

Initial Recognition

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

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

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

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

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

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

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

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

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

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

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

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

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

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

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 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 (ie trade date accounting is adopted).

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

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Derecognition

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

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

(i) Impairment

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

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

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

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

(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 and are usually paid within 30 days of recognition.

(k) Employee Benefits

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

(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.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

Provisions are recognised when:

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

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

(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) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 16.

The Council's interest in joint venture entities are recorded using the equity method of accounting in the financial report.

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

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

(q) 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.

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

(u) Budget Comparative Figures

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

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

Council's assessment of these new standards and interpretations is set out below:

	Title and Topic	Issued	Applicable (*)	Impact
(i)	AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii)	AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii)	AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(vii) AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. [AASB 101 & 1054]	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127,128 & 131]	July 2011	01 July 2013	

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 -Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128 , are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	September 2011	01 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

(*) 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 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

- AASB 124
- AASB 1054
- AASB 2009 - 12
- AASB 2009 - 14
- AASB 2010 - 4
- AASB 2010 - 5
- AASB 2010 - 6
- AASB 2010 - 9
- AASB 2011 - 1

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

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES	2012	2011	
	\$	\$	
(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	17,500	7,589	
<i>Leonie Bailey</i>			
Audit and review of grant acquittals	0	900	
 Depreciation			
Buildings	614,751	505,855	
Furniture and Equipment	197,814	120,390	
Plant and Equipment	737,274	691,042	
Roads	4,687,451	4,490,806	
Footpaths	69,914	60,632	
Drainage	153,882	153,882	
Parks	86,020	88,036	
Other	254,985	165,434	
	<u>6,802,091</u>	<u>6,276,077</u>	
 Interest Expenses (Finance Costs)			
Debentures (<i>refer Note 21(a)</i>)	244,053	132,202	
	<u>244,053</u>	<u>132,202</u>	
 Rental Charges			
- Operating Leases	3,696	4,032	
	<u>3,696</u>	<u>4,032</u>	
 (ii) Crediting as Revenue:	2012	2012	2011
	\$	Budget	\$
		\$	
Interest Earnings			
Investments			
- Reserve Funds	442,699	600,000	806,643
- Other Funds	105,148	60,000	70,365
Other Interest Revenue (<i>refer note 26</i>)	41,846	45,050	44,195
	<u>589,693</u>	<u>705,050</u>	<u>921,203</u>

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibility to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis and for each of its broad activities/programs.

Council operations as disclosed in this financial report encompasses the following service orientated programs which it has established.

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose grants and interest on investments.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

Food control, maintenance & contribution to health services & facilities, aboriginal health.

EDUCATION AND WELFARE

Maintenance of pre-school facilities & donations to schools. Maintenance of Senior Citizens Homes, Day Care Centre, assistance to welfare groups. Aged & Disabled services, Home and Community Care and Respite Care programs.

HOUSING

Maintenance of staff and rental housing.

COMMUNITY AMENITIES

Rubbish collection services, maintenance of refuse sites, control & co-ordination of cemeteries, administration of town planning schemes & other community/environmental services. Heritage issues relating to old Onslow.

RECREATION AND CULTURE

Maintenance of halls, sporting facilities, parks & associated facilities & provision of library services in Tom Price, Onslow, Pannawonica & Paraburdoo.

TRANSPORT

Construction and maintenance of roads, drainage, footpaths, parking facilities, traffic & street signs. Operation of Onslow airport.

ECONOMIC SERVICES

Noxious weeds & vermin control, tourism & area promotion including management of tourist bureau, building control.

OTHER PROPERTY & SERVICES

Public works overheads, plant operating costs & other unclassified works.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (@) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Grants for Aboriginal Environmental Health National Disaster Mitigation Funds 2006-07	Law, Order & Public Safety	(62,764)	108,108	(67,284)	(21,940)	167,432	(102,565)	42,927
Pilbara Development Commission - Multi Purpose Complex	Recreation & Culture	90,909	0	(90,909)	0	0	0	0
Onslow Salt - Onslow Cemetery Niche Wall & Beautification	Recreation & Culture	499,000	0	(499,000)	0	0	0	0
Country Local Government Fund - Tom Price Town Centre Revitalisation	Community Amenities	20,000	0	0	20,000 (*)	0	(20,000)	0
Country Local Government Fund - Onslow Multi Purpose Centre / Sporting Precinct	Community Amenities	9,455,684 (*)	0	(4,490,009)	4,965,675 (*)	0	(3,431,414)	1,534,261 (*)
Interest on Country Local Government Funding	Recreation & Culture	3,976,620	0	(3,976,620)	0	0	0	0
Country Local Government Fund - Various Projects	Recreation & Culture	620,662	690,149	(323,007)	987,804 (*)	438,293	0	1,426,097 (*)
Dept of Regional Development - Forward Capital Works Plan	Recreation & Culture	478,638	0	(478,638)	0	0	0	0
Dept of Regional Development - Tom Price Civic Centre Refurbishment	Governance	35,000	0	(35,000)	0	0	0	0
	Recreation & Culture	237,300	0	(127,147)	110,153 (*)	0	(84,574)	25,579 (*)

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (@) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Dept of Regional Development - Tom Price Sports Pavillion	Recreation & Culture	4,014,600	350,580	(301,299)	4,063,881 (*)	0	(138,130)	3,925,751 (*)
Dept of Regional Development - Tom Price Netball/Basketball Courts	Recreation & Culture	353,250	0	(57,807)	295,443 (*)	0	(8,795)	286,648 (*)
Dept of Regional Development - Minga Oval (Area W) Lights	Recreation & Culture	356,850	(350,580)	(6,270)	0	0	0	0
Pilbara Development Commission - Tom Price Sports Pavillion	Recreation & Culture	175,000	0	(175,000)	0	0	0	0
Regional Development Assistance Program - Onslow Community Garden	Recreation & Culture	10,850	0	(10,850)	0	0	0	0
Dept of Environment and Conservation - Fortesque Carpark	Transport	40,000	0	(40,000)	0	0	0	0
MRWA - Black Spot Funding	Transport	80,010	0	(80,010)	0	0	0	0
Chevron - Onslow Community Garden	Community Amenities	0	38,385	0	38,385	3,254	(27,193)	14,446
Dept of Regional Development - Financial Planning Capacity Building	Governance	0	30,000	0	30,000	0	(30,000)	0
Pilbara Iron - Pool	Recreation & Culture	0	34,808	0	34,808	0	(34,808)	0
Blanket/Reels - Paraburdoo Pool	Recreation & Culture	0	34,808	0	34,808	0	(34,808)	0
RLCIP Funding - Tom Price Sports Pavilion	Recreation & Culture	0	108,000	0	108,000	108,000	0	216,000

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

Grant/Contribution	Function/ Activity	Opening Balance (@) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (@) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Dept of Agriculture & Food - Dry Seasons Grant	Recreation & Culture	0	20,000	0	20,000	0	(20,000)	0
Various Contributions - Passion of the Pilbara	Recreation & Culture	0	1,812	0	1,812	71,606	(73,418)	0
NAIDOC - NAIDOC Week	Recreation & Culture	0	11,503	0	11,503	10,000	(21,503)	0
MRWA - Regional Road Group Funding	Transport	0	20,271	0	20,271	508,000	0	528,271
DOTARS - Roads to Recovery Funding	Transport	0	0	0	0	300,663	(192,792)	107,871
Pilbara Iron - Paraburdoo Junior Area	Community Amenities	0	0	0	0	104,546	0	104,546
Chevron - Onslow Visioning Project	Community Amenities	0	0	0	0	162,414	(144,294)	18,120
Pilbara Iron - Thermal Pool Blankets & Reels (Tom Price)	Recreation & Culture	0	0	0	0	56,000	0	56,000
Crime Prevention Grant - Graffiti Removal	Recreation & Culture	0	0	0	0	14,342	0	14,342
Chevron - Tennis Equipment	Recreation & Culture	0	0	0	0	1,000	(895)	105
Chevron - Storage Shed Town Hall	Recreation & Culture	0	0	0	0	5,000	(4,877)	123
Pilbara Iron - Tom Price Sporting Precinct	Recreation & Culture	0	0	0	0	600,000	0	600,000
Chevron - Onslow Goods Shed	Recreation & Culture	0	0	0	0	5,000	(3,091)	1,909

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions (Continued)

<u>Grant/Contribution</u>	<u>Function/ Activity</u>	<u>Opening Balance (@) 1-Jul-10 \$</u>	<u>Received (+) 2010/11 \$</u>	<u>Expended (#) 2010/11 \$</u>	<u>Closing Balance (@) 30-Jun-11 \$</u>	<u>Received (+) 2011/12 \$</u>	<u>Expended (#) 2011/12 \$</u>	<u>Closing Balance 30-Jun-12 \$</u>
Chevron - Seniors Workshops	Recreation & Culture	0	0	0	0	5,000	(809)	4,191
Pilbara Iron - Paraburdoo Speed Check Signs	Transport	0	0	0	0	21,164	(14,737)	6,427
Total		<u><u>20,381,609</u></u>	<u><u>1,063,036</u></u>	<u><u>(10,758,850)</u></u>	<u><u>10,685,795</u></u>	<u><u>2,581,714</u></u>	<u><u>(4,353,895)</u></u>	<u><u>8,913,614</u></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 revenue 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 2011 and at the end of June 2012.

	2012	2011
	\$	\$
Unspent Grants not transferred to reserve as at 30 June	1,715,278	242,839

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - (Unrestricted)	3,970	3,430
Cash at Bank - Municipal	2,896,281	4,257,459
Restricted - Reserves	8,115,252	11,591,222
	<u>11,015,503</u>	<u>15,852,111</u>
Cash at Bank - Municipal		
Unrestricted Cash	(341,739)	1,514,620
Restricted Cash - Unspent Grants (refer note 2 (c))	1,715,278	242,839
Restricted Cash - Unspent Loans (refer note 21 (c))	1,522,742	2,500,000
	<u>2,896,281</u>	<u>4,257,459</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Employee Benefit Reserve	153,111	147,435
Plant Replacement Reserve	116,284	85,974
Infrastructure Reserve	206,493	198,839
Housing Reserve	357,441	344,192
Onslow Community Infrastructure Reserve	35,026	33,728
Onslow Emergency Evacuation Building Reserve	0	235,428
Property Development Reserve	48,560	46,760
Town Centre Re-development Reserve	0	43,180
Onslow Aerodrome Reserve	0	12,730
Unspent Grants and Contributions Reserve	7,198,337	10,442,956
	<u>8,115,252</u>	<u>11,591,222</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	156,275	140,331
Sundry Debtors	3,389,046	2,625,973
GST Receivable	231,884	95,137
Prepayments	72,185	27,902
Accrued Income	1,038,084	134,607
Provision for Doubtful Debts	(54,156)	(95,794)
	<u>4,833,318</u>	<u>2,928,156</u>
Non-Current		
Rates Outstanding - Pensioners	658	530
	<u>658</u>	<u>530</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	\$	\$
5. INVENTORIES		
Current		
Fuel and Materials	12,644	23,746
Tourist Bureau Stock	104,659	130,319
Land Held for Resale - Cost		
Cost of Acquisition	207,123	310,684
Development Costs	2,656,372	700,756
	<u>2,980,798</u>	<u>1,165,505</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	7,785	0
	<u>7,785</u>	<u>0</u>
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	36,369,669	32,609,738
Less Accumulated Depreciation	<u>(5,935,663)</u>	<u>(5,320,912)</u>
	30,434,006	27,288,826
Furniture and Equipment - Cost	1,762,907	1,637,064
Less Accumulated Depreciation	<u>(1,055,841)</u>	<u>(1,036,190)</u>
	707,066	600,874
Plant and Equipment - Cost	9,555,744	8,885,146
Less Accumulated Depreciation	<u>(4,416,952)</u>	<u>(4,115,958)</u>
	5,138,792	4,769,188
Works in Progress	<u>554,341</u>	<u>610,640</u>
	<u>36,834,205</u>	<u>33,269,528</u>

Whilst none of the above assets are subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 'Impairment of Assets'.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Works in Progress \$	Total \$
Balance as at 1 July 2011	27,288,826	600,874	4,769,188	610,640	33,269,528
Additions	3,759,931	305,141	1,334,310	(56,299)	5,343,083
(Disposals)	0	(1,135)	(227,432)	0	(228,567)
Depreciation (Expense)	(614,751)	(197,814)	(737,274)	0	(1,549,839)
Balance as at 30 June 2012	<u>30,434,006</u>	<u>707,066</u>	<u>5,138,792</u>	<u>554,341</u>	<u>36,834,205</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2012	2011
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	109,918,097	107,226,462
Less Accumulated Depreciation	<u>(49,456,051)</u>	<u>(44,768,600)</u>
	60,462,046	62,457,862
Footpaths - Cost	2,964,175	2,831,055
Less Accumulated Depreciation	<u>(1,226,880)</u>	<u>(1,156,966)</u>
	1,737,295	1,674,089
Drainage - Cost	11,658,737	11,111,160
Less Accumulated Depreciation	<u>(3,436,917)</u>	<u>(3,283,035)</u>
	8,221,820	7,828,125
Parks & Ovals - Cost	4,428,184	4,261,678
Less Accumulated Depreciation	<u>(2,419,890)</u>	<u>(2,333,870)</u>
	2,008,294	1,927,808
Other Infrastructure - Cost	17,547,410	8,347,707
Less Accumulated Depreciation	<u>(1,130,060)</u>	<u>(875,075)</u>
	16,417,350	7,472,632
Works in Progress	<u>2,989,956</u>	<u>5,480,385</u>
	<u>91,836,761</u>	<u>86,840,901</u>

Whilst none of the above assets are subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 '*Impairment of Assets*'.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Roads	Footpaths	Drainage	Parks and Ovals	Other Infrastructure	Works in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2011	62,457,862	1,674,089	7,828,125	1,927,808	7,472,632	5,480,385	86,840,901
Additions	2,691,635	133,120	547,577	166,506	9,199,703	(2,490,429)	10,248,112
Depreciation (Expense)	(4,687,451)	(69,914)	(153,882)	(86,020)	(254,985)	0	(5,252,252)
Balance as at 30 June 2012	<u>60,462,046</u>	<u>1,737,295</u>	<u>8,221,820</u>	<u>2,008,294</u>	<u>16,417,350</u>	<u>2,989,956</u>	<u>91,836,761</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	3,809,985	3,109,408
PAYG Payable	165,327	130,803
Income Received in Advance	125,000	125,000
ESL Liability	1,431	296
FBT Liability	23,725	87,094
Accrued Expenses	451,107	108,469
Accrued Interest on Loans	33,378	36,215
Accrued Salaries and Wages	303,647	202,005
	<u>4,913,600</u>	<u>3,799,290</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	<u>368,891</u>	<u>347,575</u>
	<u>368,891</u>	<u>347,575</u>
Non-Current		
Secured by Floating Charge Debentures	<u>3,466,322</u>	<u>3,835,213</u>
	<u>3,466,322</u>	<u>3,835,213</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	663,551	574,714
Provision for Long Service Leave	259,601	165,971
	<u>923,152</u>	<u>740,685</u>
Non-Current		
Provision for Long Service Leave	108,938	122,423
	<u>108,938</u>	<u>122,423</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED			
(a) Employee Benefits Reserve			
Opening Balance	147,435	147,435	141,122
Amount Set Aside / Transfer to Reserve	5,676	158,603	6,313
Amount Used / Transfer from Reserve	0	0	0
	<u>153,111</u>	<u>306,038</u>	<u>147,435</u>
(b) Plant Replacement Reserve			
Opening Balance	85,974	85,974	82,292
Amount Set Aside / Transfer to Reserve	30,310	417,016	3,682
Amount Used / Transfer from Reserve	0	(80,000)	0
	<u>116,284</u>	<u>422,990</u>	<u>85,974</u>
(c) Infrastructure Reserve			
Opening Balance	198,839	198,839	190,323
Amount Set Aside / Transfer to Reserve	7,654	1,522,760	8,516
Amount Used / Transfer from Reserve	0	(841,075)	0
	<u>206,493</u>	<u>880,524</u>	<u>198,839</u>
(d) Housing Reserve			
Opening Balance	344,192	344,192	329,450
Amount Set Aside / Transfer to Reserve	13,249	370,083	14,742
Amount Used / Transfer from Reserve	0	(140,000)	0
	<u>357,441</u>	<u>574,275</u>	<u>344,192</u>
(e) Onslow Community Infrastructure Reserve			
Opening Balance	33,728	33,728	32,283
Amount Set Aside / Transfer to Reserve	1,298	1,968	1,445
Amount Used / Transfer from Reserve	0	0	0
	<u>35,026</u>	<u>35,696</u>	<u>33,728</u>
(f) Onslow Emergency Evacuation Building Reserve			
Opening Balance	235,428	235,428	225,345
Amount Set Aside / Transfer to Reserve	0	0	10,083
Amount Used / Transfer from Reserve	(235,428)	(235,428)	0
	<u>0</u>	<u>0</u>	<u>235,428</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED (Continued)			
(g) Property Development Reserve			
Opening Balance	46,760	46,760	427,626
Amount Set Aside / Transfer to Reserve	1,800	502,728	19,134
Amount Used / Transfer from Reserve	0	0	(400,000)
	<u>48,560</u>	<u>549,488</u>	<u>46,760</u>
(h) Town Centre Redevelopment Reserve			
Opening Balance	43,180	43,180	41,331
Amount Set Aside / Transfer to Reserve	0	0	1,849
Amount Used / Transfer from Reserve	(43,180)	(43,180)	0
	<u>0</u>	<u>0</u>	<u>43,180</u>
(i) Onslow Aerodrome Reserve			
Opening Balance	12,730	12,730	12,185
Amount Set Aside / Transfer to Reserve	0	0	545
Amount Used / Transfer from Reserve	(12,730)	(12,730)	0
	<u>0</u>	<u>0</u>	<u>12,730</u>
(j) Unspent Grants and Contributions Reserve			
Opening Balance	10,442,956	11,981,922	20,124,611
Amount Set Aside / Transfer to Reserve	438,293	550,000	850,385
Amount Used / Transfer from Reserve	(3,682,912)	(11,169,124)	(10,532,040)
	<u>7,198,337</u>	<u>1,362,798</u>	<u>10,442,956</u>
TOTAL CASH BACKED RESERVES	<u><u>8,115,252</u></u>	<u><u>4,131,809</u></u>	<u><u>11,591,222</u></u>

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

11. RESERVES - CASH BACKED (Continued)

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 Emergency Evacuation Building Reserve

- To provide for the construction and fitting out of an emergency evacuation facility for the joint use by the emergency services in Onslow.

Property Development Reserve

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

Town Centre Redevelopment Reserve

- To provide funds to develop and implement a plan to redevelop the Tom Price town centre.

Onslow Aerodrome Reserve

- To provide funds for the upgrading and modifications to the Onslow aerodrome.

Unspent Grants and Contributions Reserve

- To preserve unspent Grant and ongoing Capital Works Funds

12. RESERVES - ASSET REVALUATION

**2012
\$**

**2011
\$**

Asset revaluation reserves have arisen on revaluation of the following classes of assets:

Roads

Balance as at 1 July 2011	441,362	441,362
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2012	441,362	441,362
 TOTAL ASSET REVALUATION RESERVES	 441,362	 441,362

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand 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:

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>11,015,503</u>	<u>5,435,926</u>	<u>15,852,111</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	6,516,580	31,284,915	1,032,535
Depreciation	6,802,091	6,066,173	6,276,077
(Profit)/Loss on Sale of Asset	(1,558,419)	0	(781,224)
(Increase)/Decrease in Receivables	(1,905,290)	1,854,873	1,580,123
(Increase)/Decrease in Inventories	36,762	2,022	(16,417)
Increase/(Decrease) in Payables	1,114,310	127,807	(2,383,733)
Increase/(Decrease) in Employee Provisions	168,982	29,025	119,229
Grants/Contributions for the Development of Assets	(4,405,086)	(35,152,034)	(2,941,604)
Net Cash from Operating Activities	<u>6,769,930</u>	<u>4,212,781</u>	<u>2,884,986</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		55,000
Credit Card Balance at Balance Date	(31,794)		(36,735)
Total Amount of Credit Unused	<u>533,206</u>		<u>518,265</u>
Loan Facilities			
Loan Facilities - Current	368,891		347,575
Loan Facilities - Non-Current	3,466,322		3,835,213
Total Facilities in Use at Balance Date	<u>3,835,213</u>		<u>4,182,788</u>
Unused Loan Facilities at Balance Date	<u>1,522,742</u>		<u>2,500,000</u>

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

14. CONTINGENT LIABILITIES

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 increased substantially 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.

Council is currently in discussions with the State Government seeking indemnity for the Shire and possible shut down of the town of Wittenoom. 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

Disclosure of on-going claims and the manner in which they are concluded has not been documented in the annual report 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.

	2012	2011
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
Council has no finance lease commitments at 30 June 2012.		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	23,352	0
- later than one year but not later than five years	93,408	0
	116,760	0

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

15. CAPITAL AND LEASING COMMITMENTS (continued)

	2012	2011
(c) Capital Expenditure Commitments	\$	\$
Contracted for:		
- Capital Expenditure Projects		
- Design and construct Three 2 x 1 dwellings and One 3 x 2 dwelling in Onslow	0	1,269,024
- Residential Dwellings - Tom Price	0	1,323,914
- Tom Price Revitalisation Construction/Landscaping	450,928	2,403,370
- Tom Price Skate Park Construction	700,000	0
	<u>1,150,928</u>	<u>4,996,308</u>
Payable:		
- not later than one year	1,150,928	4,996,308

16. JOINT VENTURE

Recreation Centre - Tom Price Senior High School

The Minister of Education and the Shire of Ashburton jointly funded the construction of the School and Community Recreation Centre during 2004/05. The Recreation Centre was built on land vested in the Ministry of Education, which has granted the Shire a twenty one year licence to use the facilities for recreational purposes. Utilities and maintenance expenses are to be shared on a basis as determined and set out in the lease agreement. Council's share of these assets is included in the Statement of Financial Position and at Note 6 as follows:

	2012	2011
	\$	\$
Non-Current Assets		
Plant & Equipment	1,998,052	1,998,052
Less: Accumulated Depreciation	(295,585)	(255,622)
	<u>1,702,467</u>	<u>1,742,430</u>

There are no contingent liabilities as a result of this arrangement.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	1,339,636	2,961,397
General Purpose Funding	156,933	140,861
Law, Order, Public Safety	763,765	782,501
Health	97,804	41,475
Education and Welfare	215,789	215,326
Housing	8,466,220	6,587,695
Community Amenities	11,902,810	19,037,605
Recreation and Culture	27,955,106	27,648,296
Transport	82,857,262	72,968,374
Economic Services	1,121,185	1,131,886
Other Property and Services	7,802,364	5,606,055
Unallocated	4,830,154	2,935,260
	<u>147,509,028</u>	<u>140,056,731</u>

	2012	2011	2010
18. FINANCIAL RATIOS			
Current Ratio	1.235	1.184	1.234
Untied Cash to Unpaid Trade Creditors Ratio	0.000	0.456	0.566
Debt Ratio	0.066	0.063	0.063
Debt Service Ratio	0.018	0.011	0.011
Gross Debt to Revenue Ratio	0.118	0.166	0.080
Gross Debt to Economically Realisable Assets Ratio	0.069	0.079	0.031
Rate Coverage Ratio	0.291	0.312	0.196
Outstanding Rates Ratio	0.014	0.016	0.019

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

19. TRUST FUNDS

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

	Balance 1-Jul-11	Amounts Received	Amounts Paid	Balance 30-Jun-12
	\$	\$	(\$)	\$
Public Open Space	225,500	0	0	225,500
Cleaning and Key Deposits	9,142	5,305	(10,972)	3,475
Other Trust Monies	5,102	30,554	(827)	34,829
Bonds and Guarantees	23,184	258,847	(138,742)	143,289
Nomination Deposit	80	800	(800)	80
Unclaimed Monies	5,189	1,257	0	6,446
BCITF Levy	260,244	929,051	(1,110,421)	78,874
BRB Levy	2,053	32,192	0	34,245
Consignment Stock	1,097	23,211	(20,944)	3,364
Tour Sales	40,838	174,077	(163,402)	51,513
	<u>572,429</u>			<u>581,615</u>

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

20. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Other Law, Order & Public Safety	0	30,100	0	30,100	0	0
Housing	0	400,000	0	400,000	0	0
Transport	228,567	768,000	256,199	768,000	27,632	0
Other Property & Services	1,439,890	11,157,000	2,970,677	11,157,000	1,530,787	0
	1,668,457	12,355,100	3,226,876	12,355,100	1,558,419	0

	2012
	\$
Profit on Asset Disposals	1,576,410
Loss on Asset Disposals	(17,991)
	<u>1,558,419</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-11 \$	New Loans		Principal Repayments		Principal 30-Jun-12		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Law, Order & Public Safety									
Loan 112 - Collocation Facility	108,151	0	0	33,917	33,918	74,234	57,528	5,050	6,058
Housing									
Loan 117 - Housing Manager	723,691	0	0	43,842	43,842	679,849	679,848	39,385	39,565
Loan 120 Onslow Residential Development	0	0	562,000	0	8,707	0	553,293	0	7,800
Loan 121 New Staff Housing	2,500,000	0	0	189,144	189,144	2,310,856	2,310,856	146,751	146,469
Recreation & Culture									
Loan 118 - Community Rec Centre	286,234	0	0	26,892	26,133	259,342	260,102	16,272	17,033
Transport									
Loan 116 - Onslow Aerodrome	308,858	0	0	43,168	43,167	265,690	265,691	20,306	20,549
Loan 119 - Onslow Aerodrome	255,854	0	0	10,612	10,612	245,242	245,150	16,289	16,290
	4,182,788	0	562,000	347,575	355,523	3,835,213	4,372,468	244,053	253,764

All debenture repayments are to be financed by general purpose revenue, with the following exceptions, being in the nature of self supporting loans:
Loan 112 the interest component of which is reimbursable by FESA.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 120 Onslow Residential Development	0	562,000	Unknown	Debenture	5	Unknown	Unknown	0	562,000	0

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-11 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-12 \$
Loan 121 New Staff Housing	29/04/2011	2,500,000	0	977,258	1,522,742
		2,500,000	0	977,258	1,522,742

(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 2011 and 30 June 2012 was \$Nil.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV - Residential	0.084004	2,305	33,433,362	2,808,536	10,891	17,293	2,836,720	2,807,786	0	0	2,807,786
GRV - Residential Development	0.084004	3	48,360	4,062	0	0	4,062	4,062	0	0	4,062
GRV - Commercial Civic	0.084004	98	8,309,545	698,035	15,320	0	713,355	698,035	0	0	698,035
GRV - Tourism	0.084004	3	345,300	29,007	0	0	29,007	29,007	0	0	29,007
GRV - Community	0.084004	11	174,500	14,659	0	0	14,659	14,659	0	0	14,659
GRV - Industrial	0.084004	40	611,964	51,407	1,781	0	53,188	52,264	0	0	52,264
GRV - Industrial Development	0.084004	1	12,400	1,042	0	0	1,042	1,042	0	0	1,042
UV - Rural/Pastoral	0.025266	32	7,072,192	178,686	20,482	5,138	204,306	178,686	0	0	178,686
UV - Rural/Commerical	0.2804	6	49,146	13,779	0	0	13,779	13,779	0	0	13,779
UV - Rural/Industrial	0.2804	35	5,972,891	1,674,631	983,183	543	2,658,357	1,674,631	0	0	1,674,631
UV - Mining Leases	0.2804	527	12,862,593	3,606,311	193,202	15,195	3,814,708	3,523,040	300,000	30,000	3,853,040
UV - Tourism	0.1299	4	320,000	41,555	0	0	41,555	41,555	0	0	41,555
Sub-Totals		3,065	69,212,253	9,121,710	1,224,859	38,169	10,384,738	9,038,546	300,000	30,000	9,368,546
Minimum Rates	Minimum \$										
GRV - Residential	530	126	369,519	66,780	0	0	66,780	66,780	0	0	66,780
GRV - Residential Development	530	1	5,940	530	0	0	530	530	0	0	530
GRV - Commercial Civic	530	25	74,324	13,250	0	0	13,250	13,250	0	0	13,250
GRV - Tourism	530	0	0	0	0	0	0	0	0	0	0
GRV - Community	530	4	9,750	2,120	0	0	2,120	2,120	0	0	2,120
GRV - Industrial	530	29	75,850	15,370	0	0	15,370	14,840	0	0	14,840
UV - Rural/Pastoral	530	8	58,606	4,240	0	0	4,240	4,240	0	0	4,240
UV - Rural/Commerical	530	5	3,477	2,650	0	0	2,650	2,650	0	0	2,650
UV - Rural/Industrial	530	23	5,018	12,190	0	0	12,190	12,190	0	0	12,190
UV - Mining Lease	530	305	235,268	161,650	0	0	161,650	159,530	0	0	159,530
Sub-Totals		526	837,752	278,780	0	0	278,780	276,130	0	0	276,130
Ex-Gratia Rates							10,663,518				9,644,676
Rates Written Off							4,470				0
Movement in Excess Rates							(3,756)				(10,000)
Discounts (refer note 25)							5,029				4,000
							0				0
Totals							10,669,261				9,638,676

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(b) Information on Surplus/(Deficit) Brought Forward	2012 (30 June 2012 Carried Forward) \$	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
Surplus/(Deficit) 1 July 2011 Brought Forward	<u>2,167,229</u>	<u>2,950,568</u>	<u>3,782,038</u>
<u>Comprises:</u>			
Cash - Unrestricted	(337,769)	1,518,050	1,518,050
Cash - Restricted Unspent Grants	1,715,278	242,839	242,839
Cash - Restricted Unspent Loans	1,522,742	2,500,000	2,500,000
Cash - Restricted Reserves	8,115,252	11,591,222	11,591,222
Rates Outstanding	156,275	140,331	140,331
Sundry Debtors	3,389,046	2,625,973	2,625,973
GST Receivable	231,884	95,137	95,137
Prepayments	72,185	27,902	27,902
Accrued Income	1,038,084	134,607	134,607
Less: Provision for Doubtful Debts	(54,156)	(95,794)	(95,794)
Inventories			
- Fuel and Materials	12,644	23,746	23,746
- Tourist Bureau Stock	104,659	130,319	130,319
<u>Less:</u>			
Reserves - Restricted Cash			
- Employee Benefit Reserve	(153,111)	(147,435)	(147,435)
- Plant Replacement Reserve	(116,284)	(85,974)	(85,974)
- Infrastructure Reserve	(206,493)	(198,839)	(198,839)
- Housing Reserve	(357,441)	(344,192)	(344,192)
- Onslow Community Infrastructure Reserve	(35,026)	(33,728)	(33,728)
- Onslow Emergency Evacuation Building Reserve	0	(235,428)	(235,428)
- Property Development Reserve	(48,560)	(46,760)	(46,760)
- Town Centre Re-development Reserve	0	(43,180)	(43,180)
- Onslow Aerodrome Reserve	0	(12,730)	(12,730)
- Unspent Grants and Contributions Reserve	(7,198,337)	(10,442,956)	(10,442,956)
Sundry Creditors	(3,809,985)	(3,109,408)	(3,109,408)
PAYG Payable	(165,327)	(130,803)	(130,803)
Income Received in Advance	(125,000)	(125,000)	(125,000)
GST Payable	0	0	0
ESL Liability	(1,431)	(296)	(296)
FBT Liability	(23,725)	(87,094)	(87,094)
Accrued Expenses	(451,107)	(108,469)	(108,469)
Accrued Interest on Loans	(33,378)	(36,215)	0 *
Accrued Salaries and Wages	(303,647)	(202,005)	0 *
Current Employee Benefits Provision	(923,152)	(740,685)	0 *
Current Loan Liability	(368,891)	(347,575)	0 *
Rounding	(2)	(2)	(2)
Add Back : Component of Leave Liability not Required to be Funded	153,111	147,435	0 *
Add Back : Current Loan Liability	368,891	347,575	0 *
Surplus/(Deficit)	<u>2,167,229</u>	<u>2,950,568</u>	<u>3,782,038</u>

Difference:

There is a difference between the Surplus/(Deficit) 1 July 2011 Brought Forward position used in the 2012 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2011 audited financial report.

This difference is due to a change in methodology for the calculation of Surplus/(Deficit) position. An * has been placed adjacent to the items that have changed due to the change in methodology.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

No specified area rates were charged in the 2011/12 year.

24. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

No statutory service charges were imposed in 2011/12.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2011/12 FINANCIAL YEAR**

No discount for early payment applied to rates in the 2011/12 year.

26. INTEREST CHARGES AND INSTALMENTS - 2011/12 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11		35,460	40,000
Interest on Deferred Pensioners	11		0	50
Interest on ESL	11		704	0
Interest on Instalment Plan	5.5		5,682	5,000
Charges on Instalment Plan		10	3,930	3,000
			45,776	48,050

Ratepayers had the option of paying rates in four equal instalments, due on 5th October 2011, 7th November 2011, 9th January 2012 and 9th April 2012. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES

	2012 \$	2011 \$
Governance	50,751	63,919
General Purpose Funding	7,990	6,808
Law, Order, Public Safety	58,467	51,806
Health	69,943	55,153
Education and Welfare	1,634	7,968
Housing	49,353	25,224
Community Amenities	4,299,481	2,688,812
Recreation and Culture	286,355	267,816
Transport	362,975	34,167
Economic Services	1,160,757	1,185,819
Other Property and Services	4,996,549	4,312,476
	11,344,255	8,699,968

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 2012

28. GRANT REVENUE	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	7,858,655	5,823,701
Non-Operating Grants, Subsidies and Contributions	4,405,086	2,526,354
	<u>12,263,741</u>	<u>8,350,055</u>
By Program:		
Governance	230,348	80,486
General Purpose Funding	6,038,947	4,580,160
Law, Order, Public Safety	84,999	84,466
Health	167,432	109,489
Education and Welfare	256,321	139,223
Housing	9,071	2,192
Community Amenities	545,866	9,810
Recreation and Culture	947,733	1,289,925
Transport	1,178,870	1,907,693
Economic Services	2,640,131	67,814
Other Property and Services	164,023	78,797
	<u>12,263,741</u>	<u>8,350,055</u>

29. COUNCILLORS' REMUNERATION	2012	2012	2011
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	56,000	60,000	56,000
President's Attendance Fee	14,000	15,000	14,000
President's Allowance	10,000	5,250	5,000
Deputy President's Allowance	1,875	1,250	1,562
Travelling Expenses	81,938	60,000	67,241
Child Care Allowance	40	0	0
Telecommunications Allowance	9,405	3,000	2,203
	<u>173,258</u>	<u>144,500</u>	<u>146,006</u>

30. EMPLOYEES' REMUNERATION

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

Salary Range	2012	2011
\$		
100,000 - 109,999	0	3
110,000 - 119,999	2	2
120,000 - 129,999	1	1
120,000 - 139,999	4	0
140,000 - 149,999	1	0
180,000 - 189,999	1	0
190,000 - 199,999	0	1
220,000 - 229,999	0	1

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2012	2011
<u>122</u>	<u>106</u>

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

32. MAJOR LAND TRANSACTIONS

Onslow Residential Development

(a) Council own, freehold, 318 Second Ave, Onslow. Council proposes to build triplex units on this land using the proceeds from the sale of 307 First Ave, Onslow, loan borrowings and reserve funds. The reserve funds represent the funds previously set aside from the sale of 1 Hope Court, Onslow, in 2006/07. Council intends to provide staff housing with these units.

(b) Current Year Transactions

Budget Estimates	2012	2012	2011
	\$	Budget	\$
		\$	
OPERATING EXPENDITURE			
Land Transfer Expenditure			
Advertising	0	0	0
Demolition Expenses	0	0	0
Settlement Fees	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Operating Surplus/(Deficit)	0	0	0
CAPITAL INCOME			
Loan Income	0	562,000	0
Transfer from Reserve	0	140,000	0
	<u>0</u>	<u>702,000</u>	<u>0</u>
CAPITAL EXPENDITURE			
Building Construction			
318A Second Ave Onslow	(425,561)	(424,000)	(4,534)
318B Second Ave Onslow	(425,561)	(424,000)	(4,534)
318C Second Ave Onslow	(425,561)	(424,000)	(4,534)
	<u>(1,276,683)</u>	<u>(1,272,000)</u>	<u>(13,602)</u>
NET RESULTS	<u><u>(1,276,683)</u></u>	<u><u>(570,000)</u></u>	<u><u>(13,602)</u></u>

The above capital expenditure is included in Land and Buildings (refer Note 6 to this financial report).

Council had intended to take out a loan of \$562,000 to be used towards the construction of these units, however this loan did not proceed.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

32. MAJOR LAND TRANSACTIONS (Continued)

Tom Price Residential Development

- (a) Council purchased unallocated crown land at Super Lot 500, Pilkena St/Yaruga St, Tom Price and will subdivide this land into 24 separate lots for on sale.

Council also purchased unallocated crown land at Lots 501 and 502, Warara St, Tom Price and subdivide this land into 13 separate lots.

Council also purchased unallocated crown land at Lot 327, Warara St, Tom Price and subdivided this land into 15 Strata Lots for on sale.

- (b) Current Year Transactions

<i>Budget Estimates</i>	2012	2012	2011
	\$	Budget \$	\$
OPERATING INCOME			
Profit on Sale of Asset	1,530,787	0	670,727
Miscellaneous Income	880	0	11,771
	<u>1,531,667</u>	<u>0</u>	<u>682,498</u>
OPERATING EXPENDITURE			
Land Transfer Expenditure	(300)	0	(28,068)
	<u>(300)</u>	<u>0</u>	<u>(28,068)</u>
Operating Surplus/(Deficit)	1,531,367	0	654,430
CAPITAL INCOME			
Sale Proceeds from Assets	2,970,677	8,687,000	909,818
	<u>2,970,677</u>	<u>8,687,000</u>	<u>909,818</u>
CAPITAL EXPENDITURE			
Services Installation	(2,294,941)	(1,293,474)	(218,840)
Land Purchase	0	0	(1,593)
Subdivision, Survey, Plan	0	0	(12,932)
Design & Planning	0	0	(163,539)
	<u>(2,294,941)</u>	<u>(1,293,474)</u>	<u>(396,904)</u>
NET RESULTS	<u><u>2,207,103</u></u>	<u><u>7,393,526</u></u>	<u><u>1,167,344</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 2012.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

32. MAJOR LAND TRANSACTIONS (Continued)

Tom Price Industrial Development

(a) Council own, freehold, Lot 308 Boonderoo Rd, Tom Price. Council intends to develop 7 lots on this land with the intent of selling 7.

(b) Current Year Transactions

<i>Budget Estimates</i>	2012	2012	2011
	\$	Budget	\$
		\$	
OPERATING EXPENDITURE			
Land Transfer Expenditure	(500)	0	(6,537)
	<u>(500)</u>	<u>0</u>	<u>(6,537)</u>
Operating Surplus/(Deficit)	(500)	0	(6,537)
CAPITAL INCOME			
Sale Proceeds from Assets	0	2,520,000	0
Transfer from Reserves	0	0	400,000
	<u>0</u>	<u>2,520,000</u>	<u>400,000</u>
CAPITAL EXPENDITURE			
Services Installation	(980,953)	(664,798)	(208,173)
Subdivision, Survey, Plan	(16,052)	0	(65,530)
Design & Planning	0	0	(3,230)
	<u>(997,005)</u>	<u>(664,798)</u>	<u>(276,933)</u>
NET RESULTS	<u>(997,505)</u>	<u>1,855,202</u>	<u>116,530</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 2012.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

32. MAJOR LAND TRANSACTIONS (Continued)

Onslow Industrial Development

(a) Council own, freehold, Lot 16 Onslow Rd, Onslow, and in order to meet demand for commercial/industrial land, resulting from major resource projects, council intends to develop up to 62 lots on this land with the intent of selling all these lots.

(b) Current Year Transactions

<i>Budget Estimates</i>	2012	2012	2011
	\$	Budget	\$
		\$	
OPERATING INCOME			
Profit on Sale of Asset	0	0	0
Onslow Infrastructure Fund	0	1,000,000	0
	<u>0</u>	<u>1,000,000</u>	<u>0</u>
OPERATING EXPENDITURE			
Land Transfer Expenditure	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Operating Surplus/(Deficit)	0	1,000,000	0
CAPITAL INCOME			
Sale Proceeds from Assets	0	0	0
Transfer from Reserves	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
CAPITAL EXPENDITURE			
Services Installation	0	(800,000)	0
Subdivision, Survey, Plan	(6,725)	(100,000)	0
Design & Planning	(1,060)	(100,000)	0
	<u>(7,785)</u>	<u>(1,000,000)</u>	<u>0</u>
NET RESULTS	<u><u>(7,785)</u></u>	<u><u>0</u></u>	<u><u>0</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 2012.

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

34. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	11,015,503	15,852,111	11,015,503	15,852,111
Receivables	4,833,976	2,928,686	4,833,976	2,928,686
	<u>15,849,479</u>	<u>18,780,797</u>	<u>15,849,479</u>	<u>18,780,797</u>
Financial Liabilities				
Payables	4,913,600	3,799,290	4,913,600	3,799,290
Borrowings	3,835,213	4,182,788	3,754,356	4,069,913
	<u>8,748,813</u>	<u>7,982,078</u>	<u>8,667,956</u>	<u>7,869,203</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 2012**

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	30-Jun-12	30-Jun-11
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	138,522	194,370
- Income Statement	138,522	194,370

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 2012**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	30-Jun-12	30-Jun-11
Percentage of Rates and Annual Charges		
- Current	74.52%	80.56%
- Overdue	25.48%	19.44%
Percentage of Other Receivables		
- Current	99.63%	92.89%
- Overdue	0.37%	7.11%
Percentage of Deferred Rates Receivables		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%

SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2012</u>					
Payables	4,913,600	0	0	4,913,600	4,913,600
Borrowings	594,464	2,257,932	2,199,287	5,051,683	3,835,213
	<u>5,508,064</u>	<u>2,257,932</u>	<u>2,199,287</u>	<u>9,965,283</u>	<u>8,748,813</u>
<u>2011</u>					
Payables	3,799,290	0	0	3,799,290	3,799,290
Borrowings	594,464	2,297,907	2,753,776	5,646,147	4,182,788
	<u>4,393,754</u>	<u>2,297,907</u>	<u>2,753,776</u>	<u>9,445,437</u>	<u>7,982,078</u>

**SHIRE OF ASHBURTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 2012</u>								
Borrowings								
Fixed Rate								
Debentures	0	74,234	0	0	265,690	3,495,289	3,835,213	5.95%
Weighted Average Effective Interest Rate		5.97%			6.79%	5.89%		
<u>Year Ended 30 June 2011</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	108,151	0	0	4,074,637	4,182,788	5.95%
Weighted Average Effective Interest Rate			5.97%			5.95%		

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 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by the Chief Executive Officer.

Council Responsibility for the Financial Report

The Council of Ashburton are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Local Government Act 1995 Part 6. This responsibility includes such internal controls as the council determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.



Auditor's Opinion

In our opinion, the financial report of the Shire of Ashburton;

- i. presents fairly, in all material respects, the financial position of Shire of Ashburton as at 30 June 2012, and of its performance and cash flows for the year ended ; and
- ii. Complies with Australian Accounting Standards (including the Australian Accounting Interpretation);and
- iii. Is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended), and Regulations under that act.

Statutory Compliance

I did not, during the course of my audit, become aware of any instances where the Shire of Ashburton did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they relate to the financial statements.

Emphasis of Matter

We draw attention to note 14 to the financial statements which describes the uncertainty related to the outcome of claims against the Shire by former miners, residents and visitors to Wittenoom as a result of their suffering from asbestos and related diseases. Our opinion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 21st day of December 2012

21 December 2012

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

Dear Shire Council,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE SHIRE COUNCIL OF SHIRE OF ASHBURTON

As lead auditor of Shire of Ashburton for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Shire of Ashburton.



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Subiaco, Western Australia



**FINAL REPORT TO COUNCIL
SHIRE OF ASHBURTON**

30 June 2012



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

21 December 2012

Private and Confidential

The Shire Council
Shire of Ashburton
PO Box 567
Tom Price WA 6751

Dear Council Members,

SHIRE OF ASHBURTON: 30 JUNE 2012 AUDIT

We have completed our audit of the Shire of Ashburton ("Shire") for the year ended 30 June 2012. This report has been issued to assist you with understanding where we identified risks, the audit procedures we performed to address these risks, and the results of the tests. We have also included our approach to internal controls and a summary of our application of the concept of materiality.

We have issued an unqualified opinion with an emphasis of matter in relation to the Wittenoom asbestos claims.

Should you have any queries, we would be pleased to discuss at your earliest convenience.

Yours sincerely
BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Enclosures



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A. KEY FINANCIAL STATEMENT AUDIT RISKS

During our preliminary planning visit, we identified key audit risks as set out below; including a summary of the audit procedures we would perform to address the risks. The findings of the audit procedures are detailed below with the conclusion of the findings.

1. Recoverability of Trade Receivables

Identified Audit Risk

The Shire has rate debtors that are passed due and potentially impaired. As a consequence there is a risk as to the recoverability of the outstanding amount and whether a provision should be raised. For those rates that are long overdue the Shire needs to be able to demonstrate that they are collectable.

Summary of planned audit procedures to address the identified risk

As a consequence of the risk identified above, we have performed the following audit procedures on the rates debtors:

- Selected a sample of receivables and test for post 30 June 2012 receipts. For amounts received the receivable is deemed recoverable. If no amounts have been received further enquiries were undertaken;
- Checked the reconciliation of accounts receivable to the general ledger testing receivable schedule is accurate;
- Assessed the treatment of overdue debtors through discussion with the Shire and inspection of past dealings, payment history of the debtor and consider the need for amounts to be provided for.

Audit findings from planned procedures

From the work performed above it was noted that:

- 98% of the sample selected from the aged receivables listing had been collected prior to the completion of the audit. The sample selected for amounted to 82% of the total aged receivables listing at 30 June. For the remainder of the balance not received at the completion of the audit the Shire Staff have represented there is objective evidence that the receivable is not impaired.
- The provision for doubtful debts has decreased from (\$95,794) to (\$54,156) as the Shire has focused more attention to the provision of doubtful debts in the current year.

BDO was satisfied with the accuracy of the accounts receivable listing and the reconciliation to the general ledger.

Conclusion based on audit procedures

From the work performed above BDO are satisfied trade receivables balance appears fairly stated.

2. Unrecorded Liabilities

Identified Audit Risks

Due to past events in Wittenoom the Shire is currently party to a number of ongoing litigations. There is a risk that there are unrecorded liabilities arising from this litigation that have not been recorded under AASB137: Provisions, Contingent Liabilities and Contingent Assets.

Summary of audit procedures to address the identified risk

As a consequence of the risk identified above, we have performed the following audit procedures:

- Obtained confirmation from solicitors and the Shire Staff of the implications and potential financial impact of legal proceedings against the Shire.

Audit findings from planned procedures

BDO obtained the confirmations and reviewed the disclosure relating to the litigation. No undisclosed issues or liabilities were noted other than an under accrual for legal fees which has been included in our summary of unadjusted differences below.

Conclusion based on audit procedures

BDO is satisfied that liabilities are fairly stated and disclosure in the financial statements is reasonable.

3. Revenue recognition

Identified Audit Risks

The Shire receives income from a variety of different sources (Grants, funding, rates, planning and building applications). There is a risk that not all the revenue may be captured (complete and recognised in accordance with the accounting standards (AASB 118: revenue)).

Summary of audit procedures to address the identified risks

As a consequence of the risk identified above, we have performed the following audit procedures:

- Verified a sample of sales invoices to supporting documentation;
- Verified a sample of rates from source documents and traced through corresponding items in the GL;
- Obtained a grant listing and agreed a sample of amounts to supporting documentation and bank statements.

Audit findings from planned procedures

- BDO tested a sample non-rates invoices and agreed to supporting documentation, no issues were noted.
- From the sample of government grants selected the accounting for grants is fairly stated and revenue was complete.
- From the sample of rates selected, the accounting for rates revenue is fairly stated and revenue was complete.

Conclusion based on audit procedures

BDO are satisfied revenue appears fairly stated.



B. AUDIT OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our work is designed to assist us to form an opinion on the annual financial statements and should not be relied upon to disclose all irregularities or weaknesses that may exist.

Audit Opinion

Based on the findings from the procedures we have performed, we issued an unmodified audit opinion with an emphasis of matter in relation to the Wittenoom asbestos claims.

C. INTERNAL CONTROLS RELEVANT TO THE AUDIT

As part of our planning procedures we obtained an understanding of the accounting processes and controls relevant to financial reporting, and performed basic testing of these controls pertinent to us. This work was performed at a very high level and was not carried out to identify all weaknesses within the financial reporting system.

As a consequence of our testing we have identified a number of internal control weaknesses which we believe should be brought to your attention. Please refer to Appendix A.

D. MATERIALITY AND ADJUSTED/UNADJUSTED DIFFERENCES

Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures. It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 1% of our planned materiality.

During the course of our audit we have identified misstatements, some of which have been adjusted and some not. Material adjustments and all unadjusted differences (none of which we consider material either individually or in aggregate) have been detailed below. It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements we will not communicate these to you. We consider “clearly trivial” to be 1% of our planned materiality.

There were no misstatements discovered during the course of our review that *have been* adjusted.

Unadjusted Differences:

The following misstatements have been identified during the course of our review, and *have not been* adjusted as they were considered by management not to be material:

Description	Assets	Liabilities	Reserves	(Profit)/Loss
Undercharged depreciation	(20,209)			20,209
LSL Liability calculation variance		3,597		(3,597)
Unrecorded legal fees		(4,643)		4,643
Reclassification of creditors balances as receivables	14,509	(14,509)		
Net Effect of Adjustments Not Made:	(5,700)	(15,555)		21,255

E. INDEPENDENCE MATTERS

In conducting our audit, we are required to comply with the independence requirements of s290 of APES 110 Code of Ethics for Professional Accountants. We have obtained Individual Assurance Client Independence Declarations from all staff involved in the audit engagement. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

For the comfort of the Shire, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any BDO office without the express approval of the audit engagement director.
- Services including valuation and similar services are specifically prohibited to be provided by any national BDO office to you.
- All services performed by any national BDO office will be reported to the Shire.

No non-assurance work has been carried out by BDO in relation to the Shire of Ashburton.

F. NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have received from Management the *Laws and Regulations* questionnaire and have enquired in relation to non-compliance with laws and regulations during the course of our audit. We did not become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the Shire.

G. FRAUD

During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.

H. GOING CONCERN

We have undertaken a review of the ability of Shire of Ashburton to continue as a going concern for the 12 months from the date of signing the financial statements and therefore whether the going concern basis for the preparation of the financial statements is appropriate. As part of this process we have required management to document their assessment of going concern (including cash flow projections for 12 months after the expected date of approval of the financial statements), and we have reviewed actual outcomes against previous estimates and representations made by management.

The assumption of going concern was concluded as appropriate following a review of operating and capital expenditure budgets.

APPENDIX A - MANAGEMENT LETTER

During the course of our audit of the Shire of Ashburton for the year ended 30 June 2012, we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial report is free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The comments and concerns expressed herein did not have a material effect on the financial report and, as such, our opinion thereon was without reservation. However, in order for the Shire to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by the Shire Council. Our comments are not intended to reflect upon the honesty or competence of the Shire's employees.

The matters we have identified are discussed below. This communication is prepared solely for the information of the Council and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

1. PAYROLL CONTRACTS

Finding

During our review of the employee contracts it was noted that 1 of the 10 files selected did not have a signed employee contract evidencing the rate of pay at 30 June 2012. It was noted that this is in the process of being rectified.

Implications

There is a risk that without an up-to-date signed employee contract on file that there is no documentary evidence stating that the employee has agreed to the terms and conditions of employment with the Shire. In addition the Shire has not evidenced that the terms and conditions contained within the employment contract have been read and understood by the employee.

Recommendation

It is recommended that up-to-date signed employee contracts be placed on file evidencing that the employee has agreed to the terms and conditions of employment at the Shire and all requirements contained within the contract have been read and agreed as evidenced by the employees signature.

2. NEW VENDORS

Finding

A new supplier form is filled out and entered into the system however no formalised process of review occurs.

Implication

There is a possibility of incorrect information or unauthorised vendors being entered into the system.

Recommendation

A formalised procedure should be put in place for the acceptance of new suppliers where a finance staff member independent to the process reviews the details entered for the supplier.