

# SHIRE OF MUNDARING

## FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2014

### TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	63

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Mundaring being the annual financial report and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Mundaring at 30th June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 21st day of October 2014



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Jonathan Throssell  
Chief Executive Officer

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	22	24,041,908	23,969,512	22,796,775
Operating Grants, Subsidies and Contributions	28	5,813,271	3,928,315	5,670,393
Fees and Charges	27	7,617,052	7,565,841	7,534,148
Interest Earnings	2(a)	1,058,218	1,205,000	1,273,527
Other Revenue		7,457,014	2,919,046	2,735,048
		<u>45,987,463</u>	<u>39,587,714</u>	<u>40,009,891</u>
<b>Expenses</b>				
Employee Costs		(16,628,640)	(15,843,163)	(13,484,204)
Materials and Contracts		(14,925,821)	(16,582,651)	(16,894,748)
Utility Charges		(1,234,456)	(1,184,879)	(1,197,233)
Depreciation on Non-Current Assets	2(a)	(7,540,650)	(8,536,396)	(7,723,216)
Interest Expenses	2(a)	(326,370)	(326,370)	(338,806)
Insurance Expenses		(913,353)	(898,107)	(773,887)
Other Expenditure		(8,314,431)	(2,525,368)	(2,567,956)
		<u>(49,883,721)</u>	<u>(45,896,934)</u>	<u>(42,980,050)</u>
		(3,896,258)	(6,309,220)	(2,970,159)
Non-Operating Grants, Subsidies and Contributions				
	28	10,346,314	2,922,661	3,388,284
Profit on Asset Disposals	20	0	0	460,119
Loss on Asset Disposals	20	(132,401)	0	(4,781)
Change in Equity - Joint Venture		4,385,678	0	1,395,472
		<u>14,599,591</u>	<u>2,922,661</u>	<u>5,239,094</u>
<b>NET RESULT</b>		<b>10,703,333</b>	<b>(3,386,559)</b>	<b>2,268,935</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	12	38,621,083	0	(2,598,562)
<b>Total Other Comprehensive Income</b>		<u>38,621,083</u>	<u>0</u>	<u>(2,598,562)</u>
<b>Total Comprehensive Income</b>		<u>49,324,416</u>	<u>(3,386,559)</u>	<u>(329,627)</u>

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		781,527	61,260	63,676
General Purpose Funding		26,516,580	26,922,894	27,311,386
Law, Order, Public Safety		5,151,187	409,400	474,481
Health		79,120	65,200	93,277
Education and Welfare		4,352,479	3,771,838	4,050,875
Community Amenities		4,329,759	4,251,282	3,928,353
Recreation and Culture		2,416,707	1,132,019	1,077,794
Transport		343,825	186,000	384,739
Economic Services		267,806	238,500	407,463
Other Property and Services		<u>1,748,473</u>	<u>2,549,321</u>	<u>2,217,847</u>
<b>2(a)</b>		<b>45,987,463</b>	<b>39,587,714</b>	<b>40,009,891</b>
<b>Expenses</b>				
Governance		(4,791,246)	(4,676,895)	(3,704,697)
General Purpose Funding		(886,524)	(662,502)	(774,718)
Law, Order, Public Safety		(6,717,482)	(2,193,216)	(2,138,294)
Health		(610,802)	(792,285)	(685,910)
Education and Welfare		(5,865,574)	(5,590,983)	(5,916,593)
Community Amenities		(7,765,411)	(7,920,633)	(7,187,549)
Recreation & Culture		(9,055,067)	(8,198,820)	(7,693,821)
Transport		(10,539,365)	(11,695,147)	(11,247,797)
Economic Services		(713,023)	(769,854)	(712,097)
Other Property and Services		<u>(2,612,857)</u>	<u>(3,070,229)</u>	<u>(2,579,768)</u>
<b>2(a)</b>		<b>(49,557,351)</b>	<b>(45,570,564)</b>	<b>(42,641,244)</b>
<b>Financial Costs</b>				
Governance		<u>(326,370)</u>	<u>(326,370)</u>	<u>(338,806)</u>
<b>2(a)</b>		<b>(326,370)</b>	<b>(326,370)</b>	<b>(338,806)</b>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Law, Order, Public Safety		181,239	248,000	266,041
Education and Welfare		0	58,500	0
Recreation & Culture		187,000	42,000	208,018
Transport		<u>9,978,075</u>	<u>2,574,161</u>	<u>2,914,225</u>
		10,346,314	2,922,661	3,388,284
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		0	0	337,794
Law, Order, Public Safety		(2,000)	0	25,284
Health		(2,205)	0	6,213
Education and Welfare		(4,273)	0	12,947
Community Amenities		0	0	15,199
Recreation & Culture		(2,313)	0	20,648
Transport		(121,610)	0	42,034
Other Property and Services		<u>0</u>	<u>0</u>	<u>(4,781)</u>
		(132,401)	0	455,338
Change in Equity - Joint Venture		4,385,678	0	1,395,472
<b>Net Result</b>		<b><u>10,703,333</u></b>	<b><u>(3,386,559)</u></b>	<b><u>2,268,935</u></b>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	38,621,083	0	(2,598,562)
<b>Total Other Comprehensive Income</b>		<b><u>38,621,083</u></b>	<b><u>0</u></b>	<b><u>(2,598,562)</u></b>
<b>Total Comprehensive Income</b>		<b><u>49,324,416</u></b>	<b><u>(3,386,559)</u></b>	<b><u>(329,627)</u></b>

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

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

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	18,332,452	19,623,569
Trade and Other Receivables	4	3,750,690	1,306,021
Inventories	5	214,841	415,875
<b>TOTAL CURRENT ASSETS</b>		<u>22,297,983</u>	<u>21,345,465</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	743,832	737,522
Property, Plant and Equipment	6	77,842,012	29,415,586
Infrastructure	7	155,937,668	158,819,369
Interest in Joint Venture		15,138,568	10,752,890
<b>TOTAL NON-CURRENT ASSETS</b>		<u>249,662,080</u>	<u>199,725,367</u>
<b>TOTAL ASSETS</b>		<u>271,960,063</u>	<u>221,070,832</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	3,335,857	1,763,950
Current Portion of Long Term Borrowings	9	199,080	185,751
Provisions	10	2,645,776	2,387,377
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,180,713</u>	<u>4,337,078</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	4,346,581	4,545,661
Provisions	10	310,062	389,802
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>4,656,643</u>	<u>4,935,463</u>
<b>TOTAL LIABILITIES</b>		<u>10,837,356</u>	<u>9,272,541</u>
		<u>261,122,707</u>	<u>211,798,291</u>
<b>EQUITY</b>			
Retained Surplus		137,822,786	126,777,263
Reserves - Cash Backed	11	10,720,995	11,063,185
Revaluation Surplus	12	112,578,926	73,957,843
<b>TOTAL EQUITY</b>		<u>261,122,707</u>	<u>211,798,291</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2012</b>		<b>125,073,682</b>	<b>10,497,831</b>	<b>76,556,405</b>	<b>212,127,918</b>
Comprehensive Income					
Net Result		2,268,935	0	0	2,268,935
Changes on Revaluation of Non-Current Assets	12	0	0	(2,598,562)	(2,598,562)
Total Comprehensive Income		2,268,935	0	(2,598,562)	(329,627)
Reserve Transfers		(565,354)	565,354	0	0
<b>Balance as at 30 June 2013</b>		<b>126,777,263</b>	<b>11,063,185</b>	<b>73,957,843</b>	<b>211,798,291</b>
Comprehensive Income					
Net Result		10,703,333	0	0	10,703,333
Changes on Revaluation of Non-Current Assets		0	0	38,621,083	38,621,083
Total Comprehensive Income		10,703,333	0	38,621,083	49,324,416
Reserve Transfers		342,190	(342,190)	0	0
<b>Balance as at 30 June 2014</b>		<b><u>137,822,786</u></b>	<b><u>10,720,995</u></b>	<b><u>112,578,926</u></b>	<b><u>261,122,707</u></b>

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		23,982,181	23,969,512	22,697,158
Operating Grants, Subsidies and Contributions		5,813,271	3,928,315	5,670,393
Fees and Charges		5,303,458	7,565,841	7,782,887
Interest Earnings		1,058,218	1,205,000	1,273,527
Goods and Services Tax		1,922,908	1,500,000	1,710,775
Other Revenue		<u>7,457,014</u>	<u>2,919,046</u>	<u>2,735,048</u>
		45,537,050	41,087,714	41,869,788
<b>Payments</b>				
Employee Costs		(16,449,981)	(15,843,163)	(13,227,322)
Materials and Contracts		(13,152,880)	(16,582,651)	(16,639,366)
Utility Charges		(1,234,456)	(1,184,879)	(1,197,233)
Interest Expenses		(326,370)	(326,370)	(338,806)
Insurance Expenses		(913,353)	(898,107)	(773,887)
Goods and Services Tax		(2,000,566)	(1,500,001)	(1,716,056)
Other Expenditure		<u>(8,314,431)</u>	<u>(2,525,368)</u>	<u>(2,567,956)</u>
		<u>(42,392,037)</u>	<u>(38,860,539)</u>	<u>(36,460,626)</u>
<b>Net Cash Provided By (Used In)</b>				
<b>Operating Activities</b>	13(b)	<u>3,145,013</u>	<u>2,227,175</u>	<u>5,409,162</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(2,795,912)	(5,893,941)	(2,763,125)
Payments for Construction of Infrastructure		(12,113,501)	(7,424,533)	(5,958,080)
Non-Operating Grants, Subsidies and Contributions		10,346,314	2,922,661	1,822,534
Proceeds from Sale of Fixed Assets		<u>312,720</u>	<u>6,699,225</u>	<u>1,166,138</u>
<b>Net Cash Provided by (Used in) Investment Activities</b>		(4,250,379)	(3,696,588)	(5,732,533)
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(185,751)	(185,751)	(173,315)
Proceeds from New Debentures		<u>0</u>	<u>10,000,000</u>	
<b>Net Cash Provided By (Used In) Financing Activities</b>		(185,751)	9,814,249	(173,315)
<b>Net Increase (Decrease) in Cash Held</b>		(1,291,117)	8,344,836	(496,686)
Cash at Beginning of Year		19,623,569	17,228,686	20,120,255
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>18,332,452</u></u>	<u><u>25,573,522</u></u>	<u><u>19,623,569</u></u>

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

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

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		781,527	61,260	401,470
General Purpose Funding		2,474,672	2,953,382	4,514,611
Law, Order, Public Safety		5,332,426	657,400	765,806
Health		79,120	65,200	99,490
Education and Welfare		4,352,479	3,830,338	4,063,822
Community Amenities		4,329,759	4,251,282	3,943,552
Recreation and Culture		2,603,707	1,174,019	1,306,460
Transport		10,321,900	2,760,161	3,340,998
Economic Services		267,806	238,500	407,463
Other Property and Services		1,748,473	2,549,321	2,217,847
		<u>32,291,869</u>	<u>18,540,863</u>	<u>21,061,519</u>
<b>Expenses</b>				
Governance		(5,117,616)	(5,003,265)	(4,043,503)
General Purpose Funding		(886,524)	(662,502)	(774,718)
Law, Order, Public Safety		(6,719,482)	(2,193,216)	(2,138,294)
Health		(613,007)	(792,285)	(685,910)
Education and Welfare		(5,869,847)	(5,590,983)	(5,916,593)
Community Amenities		(7,765,411)	(7,920,633)	(7,187,549)
Recreation and Culture		(9,057,380)	(8,198,820)	(7,693,821)
Transport		(10,660,975)	(11,695,147)	(11,247,797)
Economic Services		(713,023)	(769,854)	(712,097)
Other Property and Services		(2,612,857)	(3,070,229)	(2,584,549)
		<u>(50,016,122)</u>	<u>(45,896,934)</u>	<u>(42,984,831)</u>
<b>Net Result Excluding Rates</b>		(17,724,253)	(27,356,071)	(21,923,312)
<b>Adjustments for Cash Budget Requirements:</b>				
(Profit)/Loss on Asset Disposals	20	132,401	0	(455,338)
Movement in Deferred Pensioner Rates (Non-Current)		(38,913)	0	(49,802)
Movement in Debtor - POS Payments (Non-Current)		0	0	90,365
Movement in Employee Benefit Provisions (Non-current)		(47,137)	0	4,054
Depreciation on Assets	2(a)	7,540,650	8,536,396	7,723,216
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings	6(a)	(1,506,161)	(4,592,500)	(925,828)
Purchase Furniture and Equipment	6(a)	(54,323)	(80,800)	(192,071)
Purchase Plant and Equipment	6(a)	(1,235,428)	(1,220,641)	(1,645,226)
Purchase infrastructure	7(a)	(12,113,501)	(7,424,534)	(7,523,830)
Proceeds from Disposal of Fixed Assets	20	312,720	6,699,225	1,166,138
Repayment of Debentures	21(a)	(185,751)	(185,751)	(173,315)
Proceeds from New Debentures	21(a)	0	10,000,000	0
Transfers to Reserves (Restricted Assets)	11	(2,267,377)	(18,871,511)	(2,750,925)
Transfers from Reserves (Restricted Assets)	11	2,609,567	7,829,513	2,185,571
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	6,014,758	3,757,517	7,688,286
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	5,479,160	1,060,355	6,014,758
<b>Total Amount Raised from General Rate</b>	22(a)	<u>(24,041,908)</u>	<u>(23,969,512)</u>	<u>(22,796,775)</u>

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



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**The Local Government Reporting Entity**

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

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

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

**(b) Goods and Services Tax (GST)**

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Cash and Cash Equivalents**

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

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

***Land Held for Sale***

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets**

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

***Mandatory Requirement to Revalue Non-Current Assets***

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

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

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
  - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
    - (i) that are plant and equipment; and
    - (ii) that are -
      - (I) land and buildings; or-
      - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

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

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

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

***Land Under Control***

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

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Initial Recognition and Measurement between Mandatory Revaluation Dates***

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

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

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

***Revaluation***

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

***Transitional Arrangements***

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

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

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

***Early Adoption of AASB 13 - Fair Value Measurement***

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Land Under Roads***

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

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

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

**Depreciation**

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

<b>Buildings</b>	
Buildings	3%
Stationary Plant & Equipment	3% - 10%
Fixtures & Fittings	9% - 33%
<b>Furniture and Equipment</b>	
Office Furniture	9% - 33%
Computer Hardware & Communications	9% - 33%
Computer Software	9% - 33%
Other Office Equipment	9% - 33%
<b>Plant and Equipment</b>	
Sedans & Wagons – Base Models	20% - 30%
Sedans & Wagons – Executive Models	20% - 30%
Utilities and 4WDs	10% - 30%
Construction Plant	5% - 10%
Construction Vehicles and Equipment	5% - 10%
<b>Infrastructure Assets</b>	
Roads & Streets	2% - 5%
Other Structures	1% - 5%
Drainage	1% - 2%
Gardens	Nil
Parks, Plant & Equipment	1.5% - 33.3%

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

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

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

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

**Capitalisation Thresholds**

**Land**

All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption cost is less than \$1,000.

**Infrastructure Assets – Roads and Streets**

Expenses totalling less than \$5,000 on any one item in any year need not be capitalised.

**All other assets**

Expenses totalling less than \$3,000 on any one item in any year need not be capitalised.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Income approach**

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

**Cost approach**

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

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

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

**(h) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

Amortised cost is calculated as:

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

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



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Employee Benefits**

**Short-Term Employee Benefits**

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

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

**Other Long-Term Employee Benefits**

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

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

**(l) Borrowing Costs**

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Provisions**

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

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

**(n) Leases**

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

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

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

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

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

**(o) Investment in Associates**

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

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Interests in Joint Arrangements**

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

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

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

**(q) Rates, Grants, Donations and Other Contributions**

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

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

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

**(r) Superannuation**

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

**(s) Current and Non-Current Classification**

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

**(t) Rounding Off Figures**

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

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

**1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(u) Comparative Figures**

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

**(v) Budget Comparative Figures**

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

**(w) Event after the Reporting Date**

Subsequent to year end the State Government had yet to make any formal announcement relating to proposed reform to metropolitan local councils. Therefore the impact of the proposed reform changes on the Shire of Mundaring has yet to be determined.

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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
<p>(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]</p> <p>[AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 &amp; 1038 and Interpretations 5, 9, 16 &amp; 17]</p>	December 2012	1 January 2014	<p>Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.</p> <p>It is not expected to have a significant impact on Council.</p>
<p>(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</p> <p>[AASB 132]</p>	June 2012	1 January 2014	<p>This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the Council's financial statements.</p>



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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

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

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(y) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were:

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

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

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

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net Result includes:			
(i) Charging as an Expense:			
<b>Significant Expense</b>			
Law, Order, Public Safety	4,381,552	0	
This significant expense in 2013/14 relates to Bushfire expenses claimable under WANDRRA.			
<b>Auditors Remuneration</b>			
- Audit of the annual financial report	14,060	16,290	
- Other Services	1,500	5,110	
	<u>15,560</u>	<u>21,400</u>	
<b>Depreciation</b>			
Buildings	959,445	836,246	
Furniture and Equipment	147,869	131,655	
Plant and Equipment	718,111	1,011,547	
Infrastructure - Roads & Streets	4,657,003	4,719,766	
Infrastructure - Other Structures	157,201	145,146	
Infrastructure - Drainage	452,320	434,366	
Infrastructure - Parks Plant & Machinery	448,701	444,490	
	<u>7,540,650</u>	<u>7,723,216</u>	
<b>Interest Expenses (Finance Costs)</b>			
Debentures ( <i>refer Note 21.(a)</i> )	326,370	338,806	
	<u>326,370</u>	<u>338,806</u>	
(ii) Crediting as Revenue:			
<b>Significant Revenue</b>			
Non Cash contribution - subdivision infrastructure assets vested with the Shire	7,809,500	1,565,750	
Bushfire Reimbursements - WANDRRA	4,381,552	0	
Non Cash - change in equity joint venture EMRC	4,385,678	1,395,472	
	<u>16,576,730</u>	<u>2,961,222</u>	
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest Earnings</b>			
- Reserve Funds	410,535	450,000	486,860
- Other Funds	493,368	620,000	652,088
Other Interest Revenue ( <i>refer note 26</i> )	154,315	135,000	134,579
	<u>1,058,218</u>	<u>1,205,000</u>	<u>1,273,527</u>

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

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

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

**COMMUNITY VISION**

**"connecting community and environment"**

Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

**GOVERNANCE**

**Objective:**

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

**Activities:**

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

**Objective:**

To collect revenue to allow for the provision of services.

**Activities:**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

To provide services to help ensure a safer community.

**Activities:**

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

**HEALTH**

**Objective:**

To provide an operational framework for environmental and community health.

**Activities:**

Prevention of human illnesses, including inspection of premises/food control.

**EDUCATION AND WELFARE**

**Objective:**

To provide services to disadvantaged persons, the elderly, children and youth

**Activities:**

Maintenance of child minding centres and playgroup centres.

Provision of services and programs for the youth and seniors of the Shire.

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

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

**Objective:**

To provide essential services required by the community.

**Activities:**

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

**RECREATION AND CULTURE**

**Objective:**

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

**Activities:**

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.

**TRANSPORT**

**Objective:**

To provide safe, effective and efficient transport services to the community

**Activities:**

Construction and maintenance of roads, streets, pathways, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and its economic wellbeing.

**Activities:**

Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of building controls.

**OTHER PROPERTY AND SERVICES**

**Objective:**

To monitor and control council's overheads operating accounts.

**Activities:**

Private works operation, plant repair and operation costs and engineering operation costs.

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

**2. REVENUE AND EXPENSES (Continued)**

(c) Conditions Over Grants/Contributions	Opening Balance <sup>(1)</sup> 1/07/12 \$	Received <sup>(2)</sup> 2012/13 \$	Expended <sup>(3)</sup> 2012/13 \$	Closing Balance <sup>(1)</sup> 30/06/13 \$	Received <sup>(2)</sup> 2013/14 \$	Expended <sup>(3)</sup> 2013/14 \$	Closing Balance 30/06/14 \$
Contribution - Administration	123,000	0	(123,000)	0	0	0	0
Building Repairs	585	0	(585)	0	0	0	0
Grant - Boya Trail SALP	1,983	0	(1,983)	0	0	0	0
Grant - Telstra Connected Seniors	19,813	41,670	(40,190)	21,293	41,870	(43,763)	19,400
Grant - Kidsport Funding	50,000	0	(48,000)	2,000	0	(2,000)	0
Grant - Fusion Art	2,000	0	0	2,000	0	(2,000)	0
Grant - Scooter Mobility Shelter	150,000	0	0	150,000	0	0	150,000
Grant - Elsie Austin Oval Social Rooms	18,360	0	0	18,360	0	(18,360)	0
Grant - CCTV Lake Leschenaultia	0	0	0	0	32,500	(10,668)	21,832
Grant - Friends Groups	0	0	0	0	13,321	(7,875)	5,446
Grant - MRRG Guidelines	0	0	0	0	82,356	(1,700)	80,656
Contribution - Communication Plan Mundaring Weir Precinct	0	0	0	0	201,926	(103,493)	98,433
Grant - Local Government Reform	0	0	0	0	375,000	(64,908)	310,092
Grant - New Child Care Centres	0	0	0	0	0	0	0
<b>Total</b>	<b>365,741</b>	<b>41,670</b>	<b>(213,758)</b>	<b>193,653</b>	<b>746,973</b>	<b>(254,767)</b>	<b>685,859</b>

**Notes:**

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

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

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

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

	Note	2014 \$	2013 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		6,925,598	8,366,731
Restricted		<u>11,406,854</u>	<u>11,256,838</u>
		<u>18,332,452</u>	<u>19,623,569</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Reserve	11	559,891	639,844
Civic Facilities Reserve	11	1,698,325	2,723,882
Information Technology Reserve	11	707,898	578,164
Children's Services Reserve	11	1,786,292	1,550,563
Capital Investment Reserve	11	3,920,966	4,008,723
Capital Income Reserve	11	1,724,238	1,276,846
Gravel Pit Rehabilitation Reserve	11	164,574	165,918
Long Service Leave Reserve	11	158,809	119,245
Unspent Grants	2(c)	<u>685,859</u>	<u>193,653</u>
		<u>11,406,854</u>	<u>11,256,838</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		653,362	632,548
Sundry Debtors		2,979,520	577,140
Sanitation Debtors		46,116	38,172
Pool Inspection Debtors		301	1,971
LSL Contributions - Other Local Governments		<u>71,391</u>	<u>56,190</u>
		<u>3,750,690</u>	<u>1,306,021</u>
<b>Non-Current</b>			
Rates Outstanding - Pensioners		707,042	668,129
Debtors - POS Payments		27,237	27,237
LSL Contributions - Other Local Governments		<u>9,553</u>	<u>42,156</u>
		<u>743,832</u>	<u>737,522</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and Materials		98,646	95,439
Land Held for Resale - Cost			
Cost of Acquisition		116,195	116,195
Gravel		<u>0</u>	<u>204,241</u>
		<u>214,841</u>	<u>415,875</u>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	31,719,602	0
- Cost	<u>0</u>	<u>2,485,485</u>
	31,719,602	2,485,485
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2014	800,000	0
- Cost	<u>0</u>	<u>0</u>
	800,000	0
<b>Total Land</b>	<u><b>32,519,602</b></u>	<u><b>2,485,485</b></u>
Specialised Buildings at:		
- Independent Valuation 2014	35,643,000	0
- Cost	0	28,735,196
- Works in Progress	1,343,675	266,354
Less: Accumulated Depreciation	<u>0</u>	<u>(10,428,534)</u>
	36,986,675	18,573,016
<b>Total Buildings</b>	<u><b>36,986,675</b></u>	<u><b>18,573,016</b></u>
<b>Total Land and Buildings</b>	<u><b>69,506,277</b></u>	<u><b>21,058,501</b></u>
Furniture and Equipment at:		
- Management Valuation 2013	4,332,280	4,338,189
- Additions after Valuation - Cost	54,323	0
Less Accumulated Depreciation	<u>(3,483,227)</u>	<u>(3,337,688)</u>
	903,376	1,000,501
Plant and Equipment at:		
- Management Valuation 2013	7,394,394	8,119,257
- Additions after Valuation - Cost	1,235,428	0
Less Accumulated Depreciation	<u>(1,197,463)</u>	<u>(762,673)</u>
	7,432,359	7,356,584
	<u><b>77,842,012</b></u>	<u><b>29,415,586</b></u>



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

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Land and Buildings:**

The Shire's Land and Buildings were revalued at 30 June 2014 by independent valuers.

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

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

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

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

The revaluation of these assets resulted in an overall increase of \$47,101,060 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(h) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

With regard to land vested in and under the control of Council, these assets were initially recognised as at 30 June 2014 at fair value.

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

Given the significance of the Level 3 inputs into the overall fair value measurement, this land vested in and under the control of Council is deemed to have been valued using Level 3 inputs.

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

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

The revaluation of these assets resulted in an overall increase of \$800,000 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(h) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

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

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Furniture and Equipment**

**Plant and Equipment:**

Both furniture and equipment and plant and equipment were revalued in 2013 as part of the mandatory requirements embodied in the Local Government (Financial Management) Regulation 17A.

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

Both furniture and equipment and plant and equipment will be revalued during the year end 30 June 2016 in accordance with the mandatory asset measurement frameworks detailed at Note 1(f).

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

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(a) Movements in Carrying Amounts**

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

		<b>Balance at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Depreciation (Expense)</b>	<b>Works In Progress</b>	<b>Carrying Amount at the End of Year</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Freehold Land	(Level 2)	2,485,485	0	0	29,234,117	0	0	31,719,602
Land Vested In and Under the Control of Council	(Level 3)	0	0	0	800,000	0	0	800,000
<b>Total Land</b>		<b>2,485,485</b>	<b>0</b>	<b>0</b>	<b>30,034,117</b>	<b>0</b>	<b>0</b>	<b>32,519,602</b>
Specialised Buildings	(Level 3)	18,573,016	428,840	0	17,866,943	(959,445)	1,077,321	36,986,675
<b>Total Buildings</b>		<b>18,573,016</b>	<b>428,840</b>	<b>0</b>	<b>17,866,943</b>	<b>(959,445)</b>	<b>1,077,321</b>	<b>36,986,675</b>
<b>Total Land and Buildings</b>		<b>21,058,501</b>	<b>428,840</b>	<b>0</b>	<b>47,901,060</b>	<b>(959,445)</b>	<b>1,077,321</b>	<b>69,506,277</b>
Furniture and Equipment	(Level 3)	1,000,501	54,323	(3,579)	0	(147,869)	0	903,376
Plant and Equipment	(Level 2)	7,356,584	1,235,428	(441,542)	0	(718,111)	0	7,432,359
<b>Total Property, Plant and Equipment</b>		<b>29,415,586</b>	<b>1,718,591</b>	<b>(445,121)</b>	<b>47,901,060</b>	<b>(1,825,425)</b>	<b>1,077,321</b>	<b>77,842,012</b>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. INFRASTRUCTURE</b>		
Roads		
- Management Valuation 2014	<u>123,570,765</u>	<u>128,606,686</u>
	123,570,765	128,606,686
Footpaths		
- Cost	7,483,193	6,548,185
Less Accumulated Depreciation	<u>(1,974,531)</u>	<u>(1,817,330)</u>
	5,508,662	4,730,855
Drainage		
- Cost	22,134,532	20,019,468
Less Accumulated Depreciation	<u>(5,633,095)</u>	<u>(5,180,775)</u>
	16,501,437	14,838,693
Parks, Plant & Machinery		
- Cost	14,868,570	14,727,771
Less Accumulated Depreciation	<u>(7,027,895)</u>	<u>(6,579,194)</u>
	7,840,675	8,148,577
Gardens		
- Cost	2,516,129	2,494,558
Less Accumulated Depreciation	<u>0</u>	<u>0</u>
	2,516,129	2,494,558
	<u><u>155,937,668</u></u>	<u><u>158,819,369</u></u>

**Road & Streets:**

The Shire's Roads and Streets were valued at 30 June 2014 by Management. All of the valuations were made on the basis of Current Replacement Cost utilising updated unit costs used in the ROMAN II asset management system.

The revaluation resulted in an overall decrease of \$9,279,977 in the net value of the Shire's Roads and Streets. All of this decrease was debited to the revaluation surplus in the Shire's equity (refer Note 12 (c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

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

**7. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

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

		<b>Balance as at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Depreciation (Expense)</b>	<b>Carrying Amount at the End of Year</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Roads	(Level 3)	128,606,686	8,901,059	0	(9,279,977)	(4,657,003)	123,570,765
Footpaths		4,730,855	935,008	0	0	(157,201)	5,508,662
Drainage		14,838,693	2,115,064	0	0	(452,320)	16,501,437
Parks, Plant & Machinery		8,148,577	140,799	0	0	(448,701)	7,840,675
Gardens		2,494,558	21,571	0	0	0	2,516,129
<b>Total</b>		<b><u>158,819,369</u></b>	<b><u>12,113,501</u></b>	<b><u>0</u></b>	<b><u>(9,279,977)</u></b>	<b><u>(5,715,225)</u></b>	<b><u>155,937,668</u></b>

Additions include non cash subdivision assets vested with the Shire totalling \$7,809,500.

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	1,518,389	1,508,202
Creditor Accruals	1,817,468	255,748
	<u>3,335,857</u>	<u>1,763,950</u>
<b>9. LONG-TERM BORROWINGS</b>		
<b>Current</b>		
Secured by Floating Charge Debentures	199,080	185,751
	<u>199,080</u>	<u>185,751</u>
<b>Non-Current</b>		
Secured by Floating Charge Debentures	4,346,581	4,545,661
	<u>4,346,581</u>	<u>4,545,661</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

Analysis of Total Provisions

Current	2,645,776	2,387,377
Non-Current	310,062	389,802
	<u>2,955,838</u>	<u>2,777,179</u>

**Analysis of Provisions**

	<b>Provision for Annual &amp; Sick Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance at 1 July 2013	1,228,667	1,548,512	2,777,179
Additional provision	447,348	266,177	713,525
Amounts used	(386,669)	(161,351)	(548,020)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	13,154	13,154
Balance at 30 June 2014	<u>1,289,346</u>	<u>1,666,492</u>	<u>2,955,838</u>

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

	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Plant Reserve</b>			
Opening Balance	639,844	626,191	579,988
Amount Set Aside / Transfer to Reserve	800,150	801,391	804,185
Amount Used / Transfer from Reserve	<u>(880,103)</u>	<u>(781,921)</u>	<u>(744,329)</u>
	<u>559,891</u>	<u>645,661</u>	<u>639,844</u>
<b>(b) Civic Facilities Reserve</b>			
Opening Balance	2,723,882	2,741,752	2,483,998
Amount Set Aside / Transfer to Reserve	100,601	10,106,941	772,719
Amount Used / Transfer from Reserve	<u>(1,126,157)</u>	<u>(2,941,370)</u>	<u>(532,835)</u>
	<u>1,698,325</u>	<u>9,907,323</u>	<u>2,723,882</u>
<b>(c) Information Technology Reserve</b>			
Opening Balance	578,164	524,065	477,278
Amount Set Aside / Transfer to Reserve	147,121	145,441	147,388
Amount Used / Transfer from Reserve	<u>(17,386)</u>	<u>(24,800)</u>	<u>(46,502)</u>
	<u>707,898</u>	<u>644,706</u>	<u>578,164</u>
<b>(d) Children's Services Reserve</b>			
Opening Balance	1,550,563	1,702,799	1,364,994
Amount Set Aside / Transfer to Reserve	250,216	430,462	375,600
Amount Used / Transfer from Reserve	<u>(14,487)</u>	<u>0</u>	<u>(190,031)</u>
	<u>1,786,292</u>	<u>2,133,261</u>	<u>1,550,563</u>
<b>(e) Capital Investment Reserve</b>			
Opening Balance	4,008,723	4,206,526	4,178,920
Amount Set Aside / Transfer to Reserve	0	6,509,074	0
Amount Used / Transfer from Reserve	<u>(87,757)</u>	<u>(3,750,000)</u>	<u>(170,197)</u>
	<u>3,920,966</u>	<u>6,965,600</u>	<u>4,008,723</u>
<b>(f) Capital Income Reserve</b>			
Opening Balance	1,276,846	1,247,658	1,042,021
Amount Set Aside / Transfer to Reserve	602,237	570,165	332,617
Amount Used / Transfer from Reserve	<u>(154,845)</u>	<u>(187,937)</u>	<u>(97,792)</u>
	<u>1,724,238</u>	<u>1,629,886</u>	<u>1,276,846</u>
<b>(g) Gravel Pit Rehabilitation Reserve</b>			
Opening Balance	165,918	330,885	221,271
Amount Set Aside / Transfer to Reserve	166,137	101,906	166,826
Amount Used / Transfer from Reserve	<u>(167,481)</u>	<u>(36,000)</u>	<u>(222,179)</u>
	<u>164,574</u>	<u>396,791</u>	<u>165,918</u>
<b>(h) Long Service Leave Reserve</b>			
Opening Balance	119,245	157,184	149,361
Amount Set Aside / Transfer to Reserve	200,915	206,131	151,590
Amount Used / Transfer from Reserve	<u>(161,351)</u>	<u>(107,485)</u>	<u>(181,706)</u>
	<u>158,809</u>	<u>255,830</u>	<u>119,245</u>
<b>TOTAL RESERVES</b>	<u>10,720,995</u>	<u>22,579,058</u>	<u>11,063,185</u>
Total Opening Balance	11,063,185	11,537,060	10,497,831
Total Amount Set Aside / Transfer to Reserve	2,267,377	18,871,511	2,750,925
Total Amount Used / Transfer from Reserve	<u>(2,609,567)</u>	<u>(7,829,513)</u>	<u>(2,185,571)</u>
<b>TOTAL RESERVES</b>	<u>10,720,995</u>	<u>22,579,058</u>	<u>11,063,185</u>

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

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

**11. RESERVES - CASH BACKED (continued)**

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

- (a) Plant Reserve**  
- to be used to fund the replacement of works plant and light vehicles.
- (b) Civic Facilities Reserve**  
- to be used to fund the construction and/or purchase of Public Facilities.
- (c) Information Technology Reserve**  
- to be used to fund the upgrade and replacement of Information Technology.
- (d) Children's Services Reserve**  
- to be used to fund the purchase of capital equipment, preventative maintenance for Children's Services buildings and employee entitlements. Also allows cash surpluses from programs to be carried forward to fund operating expenditure for future years.
- (e) Capital Investment Reserve**  
- to be used to fund the advancement of the Shire's Property Strategy.
- (f) Capital Income Reserve**  
- to be used to fund the development of Shire facilities and infrastructure.
- (g) Gravel Pit Rehabilitation Reserve**  
- to be used to fund the production of gravel and the rehabilitation of gravel pits.
- (h) Long Service Leave Reserve**  
- to be used to fund the Shire's Long Service Leave Liability.

The Long Service Leave and Plant Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.



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

<b>12. REVALUATION SURPLUS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Plant &amp; Equipment</b>		
Opening Balance	1,464,646	0
Revaluation Increment	0	1,464,646
Revaluation Decrement	0	0
	<u>1,464,646</u>	<u>1,464,646</u>
<b>(b) Furniture &amp; Equipment</b>		
Opening Balance	57,775	57,775
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>57,775</u>	<u>57,775</u>
<b>(c) Roads &amp; Streets</b>		
Opening Balance	69,419,505	73,482,713
Revaluation Increment	0	0
Revaluation Decrement	<u>(9,279,977)</u>	<u>(4,063,208)</u>
	<u>60,139,528</u>	<u>69,419,505</u>
<b>(d) Drainage</b>		
Opening Balance	343,500	343,500
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>343,500</u>	<u>343,500</u>
<b>(e) Footpaths &amp; Other Infrastructure</b>		
Opening Balance	372,448	372,448
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>372,448</u>	<u>372,448</u>
<b>(f) Gardens</b>		
Opening Balance	251,621	251,621
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>251,621</u>	<u>251,621</u>
<b>(g) Parks - Plant &amp; Machinery</b>		
Opening Balance	2,048,349	2,048,349
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>2,048,349</u>	<u>2,048,349</u>
<b>(h) Land &amp; Buildings</b>		
Opening Balance	0	0
Revaluation Increment	47,901,060	0
Revaluation Decrement	0	0
	<u>47,901,060</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>112,578,927</u></u>	<u><u>73,957,844</u></u>

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

**13. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>18,332,452</u>	<u>25,573,522</u>	<u>19,623,569</u>

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

Net Result	10,703,333	(3,386,559)	2,268,935
Depreciation	7,540,650	8,536,396	7,723,216
(Profit)/Loss on Sale of Asset	132,401	0	(455,338)
(Increase)/Decrease in Receivables	(2,373,321)	0	149,122
(Increase)/Decrease in Inventories	201,034	0	166,586
Increase/(Decrease) in Payables	1,571,907	0	88,796
Increase/(Decrease) in Employee Provisions	178,659	0	256,882
GST Movements	(77,658)	(1)	(5,281)
Grants Contributions for the Development of Assets	(10,346,314)	(2,922,661)	(3,388,284)
Change in Equity - EMRC	<u>(4,385,678)</u>		<u>(1,395,472)</u>
Net Cash from Operating Activities	<u>3,145,013</u>	<u>2,227,175</u>	<u>5,409,162</u>

	2014 \$	2013 \$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank Overdraft limit	1,000,000	1,000,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	300,000	300,000
Credit Card Balance at Balance Date	<u>(128,485)</u>	<u>(106,839)</u>
<b>Total Amount of Credit Unused</b>	<u>1,171,515</u>	<u>1,193,161</u>
<b>Loan Facilities</b>		
Loan Facilities - Current	199,080	185,751
Loan Facilities - Non-Current	<u>4,346,581</u>	<u>4,545,661</u>
<b>Total Facilities in Use at Balance Date</b>	<u>4,545,661</u>	<u>4,731,412</u>
<b>Unused Loan Facilities at Balance Date</b>	<u>0</u>	<u>0</u>

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

**14. CONTINGENT LIABILITIES**

**Nil**

**15. CAPITAL AND LEASING COMMITMENTS**

**Nil**

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

**16. JOINT VENTURE ARRANGEMENTS**

The Shire is a member of the Eastern Metropolitan Regional council (EMRC). The Shire's interest in the joint venture as calculated by the EMRC is 11.38%

The Shire's interest in the assets and liabilities of the EMRC is as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current Assets	8,237,269	6,791,805
Non-Current Assets	8,286,117	5,294,212
Total Assets	<u>16,523,386</u>	<u>12,086,017</u>
Current Liabilities	611,212	770,939
Non-Current Liabilities	773,606	562,188
Total Liabilities	<u>1,384,818</u>	<u>1,333,127</u>
Net Assets	<u>15,138,568</u>	<u>10,752,890</u>
Net Movement	<u>4,385,678</u>	

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Governance	14,526,293	8,185,056
General Purpose Funding	20,202,926	21,273,781
Law, Order, Public Safety	3,572,742	3,108,986
Health	519,497	91,847
Education and Welfare	2,096,180	2,888,973
Community Amenities	16,300,414	12,822,843
Recreation and Culture	35,948,166	16,480,221
Transport	150,981,804	152,467,408
Economic Services	48,455	58,741
Other Property and Services	27,463,702	3,641,044
Unallocated	299,884	51,932
	<u>271,960,063</u>	<u>221,070,832</u>

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>18. FINANCIAL RATIOS</b>			
Current Ratio	1.81	2.39	2.43
Asset Sustainability Ratio	0.69	1.32	0.87
Debt Service Cover Ratio	16.06	12.67	10.24
Operating Surplus Ratio	0.01	(0.05)	0.06
Own Source Revenue Coverage Ratio	0.81	0.81	0.82

The above ratios are calculated as follows:

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

**RATIO INFORMATION**

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Asset Consumption Ratio	0.93	0.84	N/A
Asset Renewal Funding Ratio	0.95	0.97	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A - In keeping with amendments to Local Government (Financial Management) Regulation 50, a comparative for 2011 has not been reported as financial information is not available.**

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

**19. TRUST FUNDS**

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

	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Deposits, Bonds & Retentions	1,053,902	540,567	(397,414)	1,197,055
POS & Road Construction	3,669,840	403,261	(103,692)	3,969,409
Scheme 7 Costs	36,908	1,436	0	38,344
BCITF Levy	0	131,572	(131,572)	0
Building Services Levy	0	96,560	(96,560)	0
	<u>4,760,650</u>			<u>5,204,808</u>

**20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Plant and Equipment	441,542	354,225	312,265	354,225	(129,277)	0
Furniture and Equipment	3,579	0	455	0	(3,124)	0
Land	0	6,345,000	0	6,345,000	0	0
	<u>445,121</u>	<u>6,699,225</u>	<u>312,720</u>	<u>6,699,225</u>	<u>(132,401)</u>	<u>0</u>

Profit	0	0
Loss	<u>(132,401)</u>	<u>0</u>
	<u>(132,401)</u>	<u>0</u>

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

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Governance</b>								
Civic Facilities Redevelopment	4,731,412	0	185,751	185,751	4,545,661	4,545,372	326,370	326,370
	4,731,412	0	185,751	185,751	4,545,661	4,545,372	326,370	326,370

(b) New Debentures - 2013/14

Nil

(c) Unspent Debentures

Nil

(d) Overdraft

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

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

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR**

(a) Rates	Rate 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 \$
<b>RATE TYPE</b>											
<b>General Rate</b>											
GRV - Commercial	0.09059338	249	18,891,613	1,711,455	4,254	0	1,715,709	1,713,851	4,300	0	1,718,151
GRV - Light Residential	0.09059338	276	14,446,889	1,308,793	147	0	1,308,940	1,308,793	12,000	0	1,320,793
GRV - Residential	0.09059338	10,259	162,797,108	14,748,345	78,776	0	14,827,121	14,637,422	106,000	0	14,743,422
GRV - RLL Residential	0.09059338	2,736	46,168,609	4,182,571	21,254	0	4,203,825	4,282,793	0	0	4,282,793
GRV - Rural & SP Residential	0.09059338	93	1,884,200	170,696	2,163	0	172,859	242,774	3,500	0	246,274
UV - Rural	0.00438100	235	163,785,000	717,542	(124)	0	717,418	717,542	0	0	717,542
UV - Mining	0.00438100	0	0	0	0	0	0	0	0	0	0
<b>Sub-Totals</b>		13,848	407,973,419	22,839,402	106,470	0	22,945,872	22,903,175	125,800	0	23,028,975
<b>Minimum Payment</b>	<b>Minimum \$</b>										
GRV - Commercial	905	14	117,632	12,670	0	0	12,670	12,670	0	0	12,670
GRV - Light Residential	905	10	89,763	9,050	0	0	9,050	9,050	0	0	9,050
GRV - Residential	905	835	6,874,552	755,675	0	0	755,675	758,836	0	0	758,836
GRV - RLL Residential	905	160	1,444,700	144,800	0	0	144,800	147,515	0	0	147,515
GRV - Rural & SP Residential	905	4	39,600	3,620	0	0	3,620	6,335	0	0	6,335
UV - Rural	905	0	0	0	0	0	0	0	0	0	0
UV - Mining	905	7	63,636	6,335	(1,093)	0	5,242	6,131	0	0	6,131
<b>Sub-Totals</b>		1,030	8,629,883	932,150	(1,093)	0	931,057	940,537	0	0	940,537
							<b>23,876,929</b>				<b>0</b>
Movement in Rates Received in Advance							164,979				0
<b>Total Rates</b>							<b>24,041,908</b>				<b>23,969,512</b>



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

**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)**

**(b) Information on Surplus/(Deficit) Brought Forward**

	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
<b>Surplus/(Deficit) 1 July Brought Forward</b>	<u>5,479,160</u>	<u>6,014,758</u>	<u>6,014,758</u>
<b><u>Comprises:</u></b>			
Cash and Cash Equivalents			
Unrestricted	6,925,598	8,366,731	8,366,731
Restricted	11,406,854	11,256,838	11,256,838
Receivables			
Rates Outstanding	653,362	632,548	632,548
Sundry Debtors	2,979,520	577,140	577,140
Sanitation Debtors	46,116	38,172	38,172
Pool Inspection Debtors	301	1,971	1,971
LSL Contributions - Other Local Governments	71,391	56,190	56,190
Inventories			
Fuel and Materials	98,646	95,439	95,439
Land Held for Resale - Cost	0	0	0
Cost of Acquisition	116,195	116,195	116,195
Gravel	0	204,241	204,241
<b><u>Less:</u></b>			
Trade and other Payables			
Sundry Creditors	(1,518,389)	(1,508,202)	(1,508,202)
Creditor Accruals	(1,817,468)	(255,748)	(255,748)
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(199,080)	(185,751)	(185,751)
Provisions			
Provision for Annual Leave	(1,289,346)	(1,228,667)	(1,228,667)
Provision for Long Service Leave	(1,356,430)	(1,158,710)	(1,158,710)
<b><u>Net Current Assets</u></b>	<u><b>16,117,270</b></u>	<u><b>17,008,387</b></u>	<u><b>17,008,387</b></u>
Less:			
Reserves - Restricted Cash	(10,720,995)	(11,063,185)	(11,063,185)
Land Held for Resale - Cost			
Cost of Acquisition	(116,195)	(116,195)	(116,195)
Add:			
Secured by Floating Charge Debentures	199,080	185,751	185,751
<b>Surplus/(Deficit)</b>	<u><b>5,479,160</b></u>	<u><b>6,014,758</b></u>	<u><b>6,014,758</b></u>

**Difference**

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

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

**23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR**

The Shire did not impose any Specified Area Rates.

**24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR**

The Shire did not impose any service charges.

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

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

	Type	Total Cost/ Value \$	Budget Cost/ Value \$
Rates	Write-Off	4,583	2,500
Interest on Unpaid Rates	Write-Off	3,819	2,000
Charges on Instalment Plan	Write-Off	0	500

No discount on rates is available.

The cost to the shire for the early payment of rates was \$4,300 being \$2,500 towards the first prize, \$1,500 towards the second prize and \$300 for pool entry.

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

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		154,315	135,000
Charges on Instalment Plan **		24	112,470	110,000
			<u>266,785</u>	<u>245,000</u>

Ratepayers had the option of paying rates in four equal instalments, due on 15 August 2013, 17 October 2013, 19 December 2013 and 20 February 2014. Administration charges (no interest) applied for the final three instalments.

\*\* Total charges for 2nd, 3rd and 4th instalments.

<b>27. FEES &amp; CHARGES</b>	<b>2014</b> \$	<b>2013</b> \$
Governance	0	249
General Purpose Funding	112,470	0
Law, Order, Public Safety	246,847	149,752
Health	79,120	93,278
Education and Welfare	1,822,262	1,916,476
Community Amenities	4,328,259	3,928,352
Recreation and Culture	742,793	873,114
Transport	7,760	61,802
Economic Services	267,386	407,463
Other Property and Services	10,155	103,662
	<u>7,617,052</u>	<u>7,534,148</u>

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

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

**28. GRANT REVENUE**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature or Type:</b>		
Operating Grants, Subsidies and Contributions	5,813,271	5,670,393
Non-Operating Grants, Subsidies and Contributions	<u>10,346,314</u>	<u>3,388,284</u>
	<u>16,159,585</u>	<u>9,058,677</u>
<b>By Program:</b>		
General Purpose Funding	1,244,689	3,100,295
Governance	201,926	0
Law, Order, Public Safety	654,922	584,495
Education and Welfare	2,498,426	2,077,797
Recreation and Culture	1,544,226	352,457
Transport	<u>10,015,396</u>	<u>2,943,633</u>
	<u>16,159,585</u>	<u>9,058,677</u>

**29. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>208</u>	<u>194</u>
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**30. ELECTED MEMBERS REMUNERATION**

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Meeting Fees	248,945	98,000	91,000
Budget Contingency for SAT determination	0	98,000	0
President's Allowance	59,003	12,000	12,000
Deputy President's Allowance	11,288	3,000	0
Travelling Expenses	7,826	10,000	11,229
Telecommunications Allowance & Expenses	<u>44,748</u>	<u>36,500</u>	<u>45,464</u>
	<u>371,810</u>	<u>257,500</u>	<u>159,693</u>

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

**31. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2013/14 financial year.

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

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

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

**33. FINANCIAL RISK MANAGEMENT**

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

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

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

*The Council held the following financial instruments at balance date:*

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	18,332,452	19,623,569	18,332,452	19,623,569
Receivables	4,494,522	2,043,543	4,494,522	2,043,543
Other Assets (Share of EMRC)	15,138,568	10,752,890	15,138,568	10,752,890
	<u>37,965,542</u>	<u>32,420,002</u>	<u>37,965,542</u>	<u>32,420,002</u>
<b>Financial Liabilities</b>				
Payables	3,335,857	1,763,950	3,335,857	1,763,950
Borrowings	4,545,661	4,731,412	2,665,965	3,218,135
	<u>7,881,518</u>	<u>6,495,362</u>	<u>6,001,822</u>	<u>4,982,085</u>

Fair value is determined as follows:

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

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

**33. FINANCIAL RISK MANAGEMENT (Continued)**  
**(a) Cash and Cash Equivalents**

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

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

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

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

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	183,325	196,236
- Statement of Comprehensive Income	183,325	196,236

*Notes:*

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

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

**33. FINANCIAL RISK MANAGEMENT (Continued)**  
**(b) Receivables**

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

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

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

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

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

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

	<b>2014</b>	<b>2013</b>
Percentage of Rates and Annual Charges		
- Overdue	3%	6%
Percentage of Other Receivables		
- Current	88%	92%
- Overdue	12%	8%



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

**33. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2014</u></b>					
Payables	3,335,857	0	0	3,335,857	3,335,857
Borrowings	<u>509,023</u>	<u>2,036,092</u>	<u>4,581,209</u>	<u>7,126,324</u>	<u>4,545,661</u>
	<u><u>3,844,880</u></u>	<u><u>2,036,092</u></u>	<u><u>4,581,209</u></u>	<u><u>10,462,181</u></u>	<u><u>7,881,518</u></u>
<b><u>2013</u></b>					
Payables	1,763,950	0	0	1,763,950	1,763,950
Borrowings	<u>509,023</u>	<u>2,036,092</u>	<u>5,090,232</u>	<u>7,635,347</u>	<u>4,731,412</u>
	<u><u>2,272,973</u></u>	<u><u>2,036,092</u></u>	<u><u>5,090,232</u></u>	<u><u>9,399,297</u></u>	<u><u>6,495,362</u></u>

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

**33. FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>Year Ended 30 June 2014</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	199,080	213,366	228,676	213,366	228,676	3,462,497	4,545,661	6.95%
Weighted Average Effective Interest Rate	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%		
<b><u>Year Ended 30 June 2013</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	185,751	199,080	213,366	228,676	213,366	3,691,173	4,731,412	6.95%
Weighted Average Effective Interest Rate	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%		

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

**34. DISCLOSURE NOTE (FIXED ASSETS)**

The Shire of Mundaring measure the following assets on a recurring basis:

- Land and Buildings;
- Furniture and equipment;
- Plant and equipment; and
- Roads

The Shire of Mundaring does not measure any other assets and liabilities on a non-recurring basis.

The following tables provide the fair values of the Shire's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

**Recurring Fair Value Measurements**

Non-Financial Assets

**30 June 2014**

	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	6	0	31,719,602	800,000	32,519,602
Buildings	6	0	0	36,986,675	36,986,675
Furniture and Equipment	6	0	0	903,376	903,376
Plant and Equipment	6	0	7,432,359	0	7,432,359
Roads	7	0	0	123,570,765	123,570,765

Total non- financial assets  
recognised at fair value on  
a recurring basis

0    39,151,961    162,260,816    201,412,777

There were no assets valued where it was assumed that the highest and best value use was other than their current use.

Non-Financial Assets

**30 June 2013**

	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture and Equipment	6	0	0	1,000,501	1,000,501
Plant and Equipment	6	0	7,356,584	0	7,356,584
Roads	7	0	0	128,606,686	128,606,686

Total non- financial assets  
recognised at fair value on  
a recurring basis

0    7,356,584    129,607,187    136,963,771

The Shire's land and buildings were valued on the cost basis for the year ended 30 June 2013 and revalued at 30 June 2014.

The policy of the Shire of Mundaring is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers in and out of Level 3 measurements.

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

**34. DISCLOSURE NOTE (FIXED ASSETS) (Continued)**

**Valuation techniques and inputs used in the fair value measurement**

**Land**

Level 2 valuation inputs are used to value land held in freehold title as well as land used for special purposes that are restricted in use under current zoning rules (i.e. Commercial, Industrial or Residential). Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

The Golf Course has been valued on the basis that the Shire of Mundaring developed the course and, whilst a lease is in place for a nominal amount per year, the Present Value of a typical ground lease was applied over the period of the lease. The ground rent has been included with the cost approach of developing the golf course (including fairways, sand greens, bunkers, tee boxes etc.) and applied the Depreciated Replacement Cost (DRC) approach, based on the original or effective age of the asset, depreciated over the Estimated Economic Working Life (EEWL), assuming the lease will be renewed, utilising the straight line depreciation method.

**Buildings**

The Shire's buildings assets are considered to be of a specialised nature (non-market type properties which are not readily traded in the market place) were valued by professionally qualified registered valuers using the cost approach. This approach is commonly referred to as the depreciated replacement cost (DRC). The "DRC" approach considers the cost (sourced from cost guides such as Rawlinsons, Cordell, professional quantity surveyors and recent construction costs for similar projects throughout Western Australia) to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence. This approach is an accepted method in arriving at a market value.

**Plant and Equipment**

Plant and equipment were revalued in 2013 a part of the mandatory requirements embodied in Local Government (Financial Management) regulations 17A. Whilst the additions since 1 July 2013 have been brought in the books at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that the recorded written down values approximate fair values.

Thus, the value of class of assets in the Shire's books is considered to be in accordance with Local Government Financial Management Regulation 17A (2) which requires these assets to be shown at fair value.

Plant and Equipment will be revalued during the year ended 30 June 2016 in accordance with the mandatory asset measurement framework detailed at Note 1 (f). Most plant and equipment assets are generally valued using the market and cost approach using comparable sales and relevant industry market price reference guides, and have been classified as being valued at Level 2 of the fair value hierarchy. The most significant inputs into this valuation approach are the make, size, year of manufacture and condition.

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

**34. DISCLOSURE NOTE (FIXED ASSETS) (Continued)**

**Valuation techniques and inputs used in the fair value measurement (Continued)**

**Furniture and Equipment**

Furniture and equipment were revalued in 2013 a part of the mandatory requirements embodied in Local Government (Financial Management) regulations 17A. Whilst the additions since 1 July 2013 have been brought in the books at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered that the recorded written down values approximate fair values.

Thus, the value of class of assets in the Shire's books is considered to be in accordance with Local Government Financial Management Regulation 17A (2) which requires these assets to be shown at fair value.

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

The income approach is not appropriate given the Shire does not generate cash flows from the use of these assets. The market value approach that would be best achieved through a qualified valuer is an expensive exercise for an asset class that lacks materiality. Given there is not an active or liquid market for much of the Shire's Furniture and Equipment it is questionable if the market approach is deemed to be fair value of furniture and Equipment.

**Roads**

The valuation process has been performed in accordance with accepted accounting standards (including Australian Accounting Standards AASB 116 and AASB 13) and with Local Government asset management practice (International Infrastructure Management Manual, 2011 and Australian Infrastructure Financial Management Guidelines 2012).

The valuation of roads was performed using the valuation module currently held in RAMM.

The methodology used was to:

- Update unit cost rates with the road and bridge construction index; and
- Calculate optimised replacement cost (ORC) and optimised depreciated replacement cost (ODRC) using the RAMM asset valuation module.

The depreciated replacement cost method can be used to determine the fair value of road assets because they are specialised assets that meet the following criteria:

- There is no active market for road assets;
- There are no current market selling prices or recent transaction prices for similar assets; and
- The primary value of road assets is not driven by any income or profit generating ability.

The Shire's road assets have been revalued on a replacement cost basis, as at 30 June 2014, in accordance with accepted Australian accounting practices.

Replacement costs is the cost of re-building the existing infrastructure using present day technology while maintaining the originally designed level of service. Maintaining the original level of service ensures that the existing asset with all its faults are valued, not the currently desirable alternative.

Replacement cost is essentially calculated by multiplying asset quantities by unit cost rates factored to allow for other costs such as overheads.

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

**34. DISCLOSURE NOTE (FIXED ASSETS) (Continued)**

**Qualitative Information about the significant unobservable inputs and relation ship to fair value**

The following table summarises the quantitative information about the key significant unobservable inputs inputs (level 3 fair value hierarchy), the ranges of those inputs and the relationships of unobservable inputs to the fair value measurements.

Description and fair value as at 30 June 2014	Valuation Techniques	Unobservable Inputs	Range of Inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Land vested and under the control of Council (\$800,000)	Income and Cost approach	Ground rent	+/-10%	A change of 10% would result in an increase/decrease of \$80,000
Buildings (\$36,986,675)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-10%	A change of 10% would result in an increase/decrease of \$3,698,667
Roads (\$123,570,765)	Cost approach (depreciated replacement cost)	Unit rates	+/-10%	A change of 10% would result in an increase/decrease of \$12,357,076

## **INDEPENDENT AUDITOR'S REPORT**

### **TO: RATEPAYERS OF SHIRE OF MUNDARING**

We have audited the financial report of the Shire of Mundaring, which comprises the Statement of Financial Position as at 30 June 2014 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

#### **Management's Responsibility for the Financial Report**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the 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 Council'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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe 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 followed applicable independence requirements of Australian professional accounting bodies.



## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### Auditor's Opinion

In our opinion, the financial report of the Shire of Mundaring:

- (a) gives a true and fair view of the financial position of the Shire of Mundaring as at 30 June 2014 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.


### Report on Other Legal and Regulatory Requirements


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

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- (c) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report (Note 18 of the annual financial report) are supported by verifiable information and reasonable assumptions.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Shire of Mundaring for the year ended 30 June 2014 included on the Shire of Mundaring's website. Management is responsible for the integrity of the Shire of Mundaring's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

  
**MACRI PARTNERS**  
**CERTIFIED PRACTISING ACCOUNTANTS**  
**SUITE 2, 137 BURSOOD ROAD**  
**BURSOOD WA 6100**

  
**A MACRI**  
**PARTNER**

**PERTH**  
**DATED THIS 13<sup>TH</sup> DAY OF NOVEMBER 2014.**

