



Annual Report *2014/15*





Table of Contents

From the Shire President	Page 3
Our Shire.....	Page 4
Elected Members	Page 5
From the Chief Executive Officer.....	Page 6
Executive Leadership Team	Page 7
Valued Natural Environment	Page 9
Balanced Development	Page 10
Thriving Community.....	Page 11
Respected Civic Leadership	Page 13
Access and Inclusion	Page 14
Appendix - Performance Indicators and Measures	Page 15
Appendix - Annual Financial Statements	Page 24

***This document is available in
alternative formats on request.***





From the Shire President

SHIRE of Mundaring is proud to continue representing and serving our community after the State Government called an end to Metropolitan Local Government Reform.

With the amalgamation process now behind us, we can focus on making our community stronger, something the Shire has always been committed to. We are proud that 2015 will see the start to our largest capital works program in a generation. These projects will improve and/or provide new major community facilities.

Boya Community Hub, Mundaring Indoor Recreation Facility and a social room at Elsie Austin Oval are much needed infrastructure projects, while upgrades to Mundaring Community Sculpture Park will provide a meeting and play space for residents and visitors.

In 2015 the Shire will undertake the Community Perceptions Survey. The Survey is conducted every two years and the purpose of the Survey is to better

understand community needs and priorities, evaluate Shire performance against key performance indicators and assist the Shire to make well informed, considered choices when planning for the future and allocating resources. The results link into the Strategic Community Plan which focuses on the next 10 years.

I would like to thank my fellow Elected Members for their great efforts in representing their community in what was a challenging year.

I also acknowledge the effort of Chief Executive Officer Jonathan Throssell and his employees for the hard work to continue strong service delivery in uncertain times. The work on a suite of major projects will ensure adequate facilities for future generations and continue to make the Shire a great place to work and live.

Cr Helen Dullard
Shire President





Our Shire

Covering a total land area of 644sqkm, the Shire of Mundaring is comprised of a mixture of residential and rural areas.

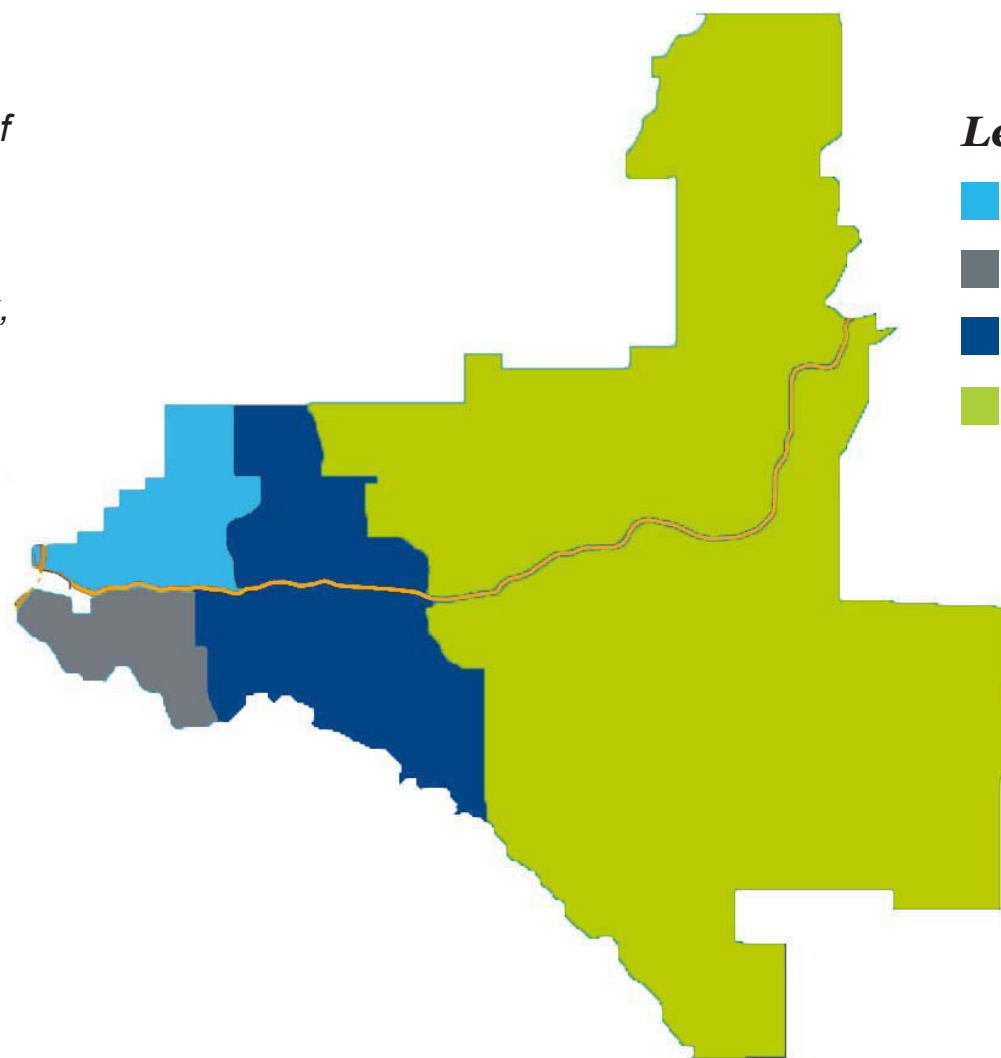
Nearly half of the shire is made up of national park, state forest or water catchments, making the area attractive to both residents and visitors.

Annual Events

- Trek the Trail
- Cinema Under Starlight
- Australia Day Citizenship Ceremony
- Darlington Arts Festival
- Swan View Show
- Summer Concerts at Mundaring Weir Hotel
- Mundaring Sunday Markets

Local Attractions

- John Forrest National Park
- Mundaring Weir
- Lake Leschenaultia
- Mundaring Community Sculpture Park
- Railway Reserves Heritage Trail
- Bibbulmun Track
- Munda Biddi Trail
- KEP Track



Legend

- West Ward
- South Ward
- Central Ward
- East Ward



Elected Members

Number of Council Meetings attended			
Elected Member	Ordinary (19)	Special (2)	Electors (1)
Cr Dullard	17	2	1
Cr Cuccaro	16	1	
Cr Clark	13	2	
Cr Jones	18	2	1
Cr Lavell	14	2	
Cr Cook	18	1	1
Cr Pilgrim	13	2	
Cr Gu	18	2	1
Cr Perks	16	2	1
Cr Bertola	18	2	
Cr Daw	16	2	1
Cr S Fox	19	2	1

West Ward



Helen Dullard

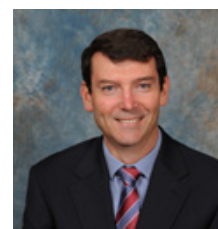


Tony Cuccaro



Pauline Clark

South Ward



Darrell Jones



David Lavell



Trish Cook

Central Ward



Alan Pilgrim

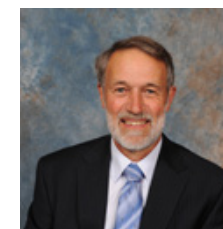


Leona Gu



Bob Perks

East Ward



Patrick Bertola



John Daw



Stephen Fox



From the Chief Executive Officer

LOCAL Government Reform contributed to an extremely busy year as Shire of Mundaring balanced working through the State Government's Metropolitan Local Government Reform with continuing to meet the needs of the community.

A halt to the amalgamation process earlier this year resulted in a significant change in direction for the Shire. The Shire reset its focus to once again make its own decisions about the delivery of infrastructure and services to its community.

As part of the Integrated Planning and Reporting Framework, strategic planning was undertaken to determine what will be delivered over the next four year period. This is detailed in the Corporate Business Plan (CBP), a rigorously costed and prioritised plan which will enable the Shire to 'activate' the Shire of Mundaring's longer term Strategic Community Plan 2013-2023.

The CBP also places the Shire on a path to strengthened

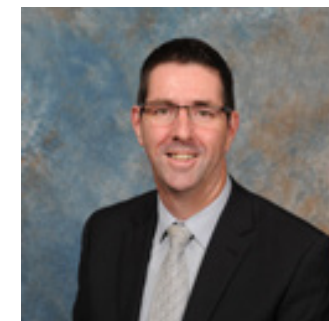
financial sustainability over the longer term, which will enable the Shire to continue delivering services and infrastructure to meet the needs of its community into the future.

Detailed design work for several projects under the major capital works program was completed this year.

Community Recovery from the Parkerville, Stoneville, Mt Helena Bushfire in January 2014 continued, with a Together Towards Recovery event held to mark one year since the devastating fire.

I am extremely proud of how everyone in the Shire retained their focus during this year, particularly given the uncertainty faced by both employees and Elected Members.

Jonathan Throssell
Chief Executive Officer





Executive Leadership Team



Executive Leadership Team: (L-R) Director Corporate Services Paul O'Connor, Director Strategic and Community Services Megan Griffiths, Chief Executive Officer Jonathan Throssell, Director Statutory Services Mark Luzi and Director Infrastructure Services Shane Purdy.

Achievement of best practice in corporate governance is a major responsibility of Council. It entails the consideration and approval of Shire policies, strategic direction and resource allocation, as well as monitoring Shire performance, progress towards targets and use of resources.

Employee profile

Shire of Mundaring had an average staffing level of 208.91 total full time equivalents, including 22.6 FTE casual staff.

Comparative employee turnover has remained consistently low for the last few years. Turnover for 2014/15 was 10.57%, it was 9.62% for 2013/14 and 12.93% for 2012/13.

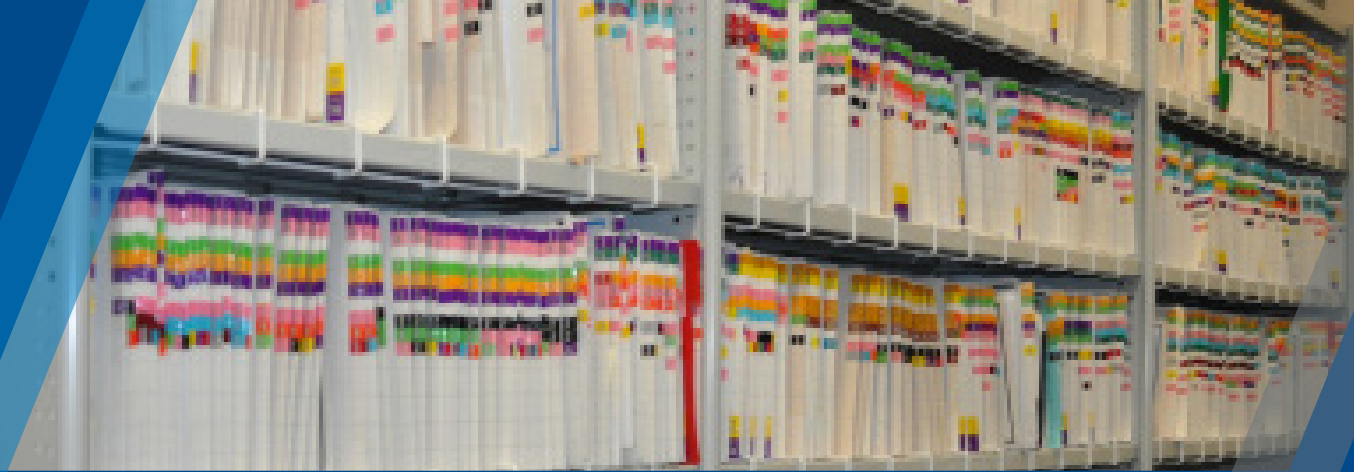
Employee Remuneration

There were 17 employees entitled to an annual cash salary of \$100,000 or more in the following categories:

\$100,000 - 109,999	1	\$140,000 - 149,999	0
\$110,000 - 119,999	2	\$160,000 - 169,999	3
\$120,000 - 129,999	6	\$170,000 - 179,999	1
\$130,000 - 139,999	3	\$250,000 - 259,999	1

Freedom of Information

The Shire has a Freedom of Information statement prepared in accordance with the *Freedom of Information Act 1992*. The statement, available on the Shire's website, outlines the Shire's functions, the kind of documents held and how the documents can be accessed. A total of 14 Freedom of Information requests were received in this reporting period.



Information Management

Information Management continue to provide record keeping services and improve processes, particularly in regard to electronic document management. This ensures *State Records Act 2000* requirements are met, as well as the needs of the Shire for high quality record keeping.

Management of corporate documents and information is specified in the Shire's record keeping plan, and mandatory records and document management training for employees is part of the induction process.

Risk Management

The Shire identifies and manages its risk through a Risk Management Plan that has been created in line with the Strategic Community Plan. An Organisational Risk Management project was undertaken with the assistance of LGIS, where a review of our business risks was completed. The Shire has developed a Business Continuity Plan to ensure it can respond to, and recover from, any business disruption.

Under the Risk Management Plan, controls have been identified for significant risks and any action required.

Minor breaches

A complaint of minor breach was lodged by the CEO of Shire of Mundaring against Cr Tony Cuccaro on 15 July 2014.

Description:

Breach of regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007*: having disclosed an impartiality interest for being a member of one of the user groups of a Shire facility a few months previously, Cr Cuccaro failed to disclose an interest affecting impartiality during the Ordinary Council meeting of 8 July 2014 in relation to item 11.1 – Consideration of Projects Listed as Strategic priorities. In response to a query by the CEO of Shire of Mundaring Cr Cuccaro advised that there was no change in his circumstances since the previous declaration.

Details of action taken:

The Standards Panel made an order under section 5.110(6)(c) of the *Local Government Act 1995* that pursuant to subsection (b)(ii) of that section Cr Cuccaro should be ordered to publicly apologise to the other Councillors of the Shire.

Cr Cuccaro made a public apology to the other councillors during the Ordinary Council meeting of 12 May 2015, which is recorded in the minutes of that meeting.



Valued Natural Environment

A Landscape and Revegetation Guidelines booklet was produced to assist residents and developers who are required to submit landscaping or revegetation plans as part of their development applications.

Fire recovery efforts from the 2014 Parkerville, Stoneville, Mt Helena Bushfire continued. Weed control was undertaken, nesting box workshops held and nesting boxes installed in affected reserves.

The Green Army team supported fire recovery efforts and weed control along the Railway Reserves Heritage Trail. Westpac and State Natural Resource Management grants assisted with the recovery.

A Firewise Plant selection fact sheet was developed to assist with tree planting options.

Through the Tree Canopy and Understorey Program, residents and local Friends Groups shared in 52,000 seedlings.

There are 89 Friends Groups in the shire who volunteer to manage weeds and reserves. A Friends Group event was held at Lake Leschenaultia in June with 45 volunteers attending.

The installation of extensive dieback signage was completed in Strettle Reserve through Perth Region Natural Resource Management.

A combined project with Swan-Alcoa Landcare Program (SALP), University of WA researchers and Friends Group members on bee management as part of a \$5500 SALP grant was undertaken.

Plans for 2015/16

Completion of the Eastern Catchment Management Plan will help develop a way forward for catchment management in the shire.

In conjunction with the Environmental Advisory Committee, the Roadside Conservation Strategy Draft will be completed.

A Sculpture Fauna Art Project will be undertaken with students at Chidlow Primary School as part of the Trek the Trail event. The project will focus on the long neck turtle and water rat, which are animals found in Lake Leschenaultia.

Enhancement works on the verges along Helena Valley Road in Helena Valley will continue.



Balanced Development

After several years of lobbying, Shire of Mundaring was successful in attracting \$12million in State and \$9.6million in Federal funds for safety upgrade works on Great Eastern Highway between Mundaring and Greenmount.

The \$24million project will upgrade 7km of road and include intersection improvements, widened and sealed road shoulders, new bus bays and a new shared path between Mann Street and Kintore Road, Mundaring.

Upgrades at Blackboy Hill Commemorative Site were finished in time for the 2015 ANZAC Day commemorations.

Major refurbishment of Bilgoman Aquatic Centre was completed. This saw the main pool renewed with tiling, the addition of ramp access, new solar hot water heating

system and upgrades to the filtration, sanitation and hydraulic systems. The children's pool was increased in size and now includes a beach entry.

Concept plans were completed and \$3million State Government funding secured for the Mundaring Indoor Recreation Facility.

Plans for a social room at Elsie Austin Oval in Mount Helena were completed.

Footpaths were built on Myles Road, Elder Way, Ryecroft Road, Alison Street and Needham Road. Road upgrades were completed on Darlington Road and Montrose Avenue. Beacon Road, Molloy Trail and Horace Street were sealed.

Plans for 2015/16

Mundaring Indoor Recreation Centre construction to begin.

Safety upgrade works on Great Eastern Highway between Mundaring and Greenmount will commence.

Mundaring Community Sculpture Park construction works will continue.

Enhancements of Morgan John Morgan Reserve in Glen Forrest will be completed.

Construction of the social room at Elsie Austin Oval to begin.

Swan View Station Heritage Trail Reserve surroundings will be upgraded, with a trail crossing constructed on Morrison Road.



Thriving Community

Children's Services

Midvale Hub was successful in applying for Indigenous Advancement Strategy funding from the Department of Prime Minister and Cabinet to ensure local children have access to early years services. The Children and Family Centres at Middle Swan and Clayton View Primary Schools celebrated a year of operation. Children's Services was recognised at the Polytechnic West Awards Night – awarded 2014 Employer Partnership of the Year.

Youth

Regular user groups at Swan View Youth Centre provide a range of activities such as dancing, art, sports, circus and life skills programs. A weekly drop-in session at the Centre provides after-school activities each Tuesday. Seen and Heard continued to deliver events across the Shire and ran a successful Battle of the Bands event in June.

Seniors

The major events were Seniors Week Bingo Afternoon at the Swan View Youth Centre and the Active Ageing Network Book Cafes. Intergenerational events included the Seniors Christmas Lunch, a world war themed Afternoon Sing-Along and a Children's Book Cafe.

Libraries

Around 290,000 physical items were borrowed by more than 116,000 people, in addition to more than 6000 eResources. Regular baby rhyme time sessions have begun at the Swan Family Centre. A 'Free Pop-Up Library' was provided at The Pipelines Festival.

Grants

Eight volunteer-based groups received funding to facilitate a range of community events while 44 groups were supported to provide training, purchase equipment and undertake minor upgrades. Giving Back Grants were awarded to 12 groups and Youth Sponsorships were awarded to 32 individuals and three groups. Online grants management system SmartyGrants was purchased.

Events

ANZAC Day 2015 marked 100 years since Australian troops landed at Gallipoli with many services marking the occasion. Redevelopment works at Blackboy Hill Commemorative Site were completed.

Three public citizenship ceremonies were held, with 99 people receiving citizenship. More than 200 people joined Australia Day celebrations.

More than 1600 people attended three Cinema Under Starlight events.



Visitor Services

The Mundaring Visitor Centre handled more than 13,000 enquiries, with around half relating to Lake Leschenaultia. A new look website was launched and has more than 100 listings of local tourism providers. The website attracted more than 120,000 page views.

Trails

The Shire joined with Shire of Kalamunda and Department of Parks and Wildlife to develop a trail plan for a link between the Railway Reserves Heritage Trail in Mundaring and the Railway Reserve Trail in Kalamunda.

Facilities

Reticulation at Parkerville Oval was upgraded and the Darlington Tennis Courts carpark was sealed. Mundaring Arts Centre was upgraded. A five year chair and table replacement program in the Shire's community halls and sporting pavilions was completed.

Community Recovery

Activities included a 12 month acknowledgement event of the 2014 Parkerville, Stoneville, Mt Helena Bushfire, the development of a Community Memoir, the Pillowcase Project for young people impacted by the fires and Community Recovery e-News to provide support for local residents.

Halls and pavilions attendances	200,451
Halls and pavilions bookings	10,866
Hard court and oval attendances Summer	57,620
Winter	43,800
Bilgoman Aquatic Centre attendance	85,262
Mt Helena Aquatic Centre attendance	19,509

Plans for 2015/16

Libraries are working towards building relationships with local businesses and community organisations in order to offer opportunities for the community to become involved in a wider variety of events and have access to more comprehensive resources.

Detailed design works are proceeding for the Boya Community Hub at Boya Oval and Mundaring Indoor Recreation Facility for a replacement library and indoor stadium respectively.

A permanent pop-up library will be established at the Swan View Youth Centre.

Community Recovery efforts from the Parkerville, Stoneville, Mt Helena Bushfire will continue with a Community Art Project.



Respected Civic Leadership

In November 2014, Council approved the review of systems and procedures in regards to risk management, internal control and legislative compliance within the Shire and endorsed the Risk Management Framework which contains practical guidelines to develop Shire of Mundaring's capacity to appropriately manage risk.

Major achievements for Information Technology included upgrades of the GIS Customer Action Request System and Cisco systems and developing a new processing system (APS) to manage Planning, Building and Health applications.

Two new sites for Children's Services were implemented, a new website developed for Mundaring Visitor Centre and a Landgate Shared Location Information Platform implemented. The internal firewall was also replaced.

During the year, governance support was provided to the Audit and Governance Committee in the areas of risk management, internal controls, legislative compliance and audit planning and reporting.

The Shire continued its commitment to fulfilling its moral and legal responsibilities under the Occupational Health and Safety Act, to provide a safe and healthy work environment for employees, contractors and visitors.

Plans for 2015/16

The Shire will develop and grow the relationship with the business community and with the Swan Chamber of Commerce and the Mundaring Chamber of Commerce.

Council Elections will be held in October 2015, with six Elected Members to be elected.

MS SharePoint will be upgraded for five websites, while the email system, server operating system and domain controllers will also be upgraded.

System applications to manage fire safety inspections and public access ways will be developed.



Access and Inclusion

The winner of the annual Celebration of Ability Award for 2014/15 was Riding for the Disabled Hills Group. Activities are provided entirely by volunteers who spend many hours giving up their time. This dedication provides activities that give children and young people increased social confidence, contentment, trusting and loving relationships, higher self-esteem and increased physical wellness. It also gives families, friends and carers an enjoyable outing.

To celebrate International Day of People with a Disability the Shire purchased musical pipes to be installed in Morgan John Morgan Reserve playground upgrades in Glen Forrest. This equipment includes children who have sight impairment.

Bilgoman Aquatic Centre reopened and now includes a new ramp access into the main pool. The new leisure pool has beach entry.

Shire Libraries provide a free home delivery service for people who cannot get to the library. Services are provided to Woorlooloo, Yallambee Village and Yallambee Hostel where items are displayed ready for loan and morning tea is provided. Albert Facey Memorial (Mundaring) Library provides free computer training.



Plans for 2015/16

In response to community concern regarding access into older facilities, Council resolved to increase the budget for access upgrades from \$150,000 per financial year to \$200,000 for 2015/16. It will then increase to \$300,000 for the following three years.

Mundaring Community Sculpture Park upgrades will provide an accessible play area and outdoor space. Equipment includes an inclusive carousel, soft fall covering, boardwalk and tunnel.

Installation of musical pipes at Morgan John Morgan Reserve.

Appendix - Performance Indicators and Measures

The SCP identifies four strategic priorities and the CBP has the four year priorities, which provide further focus for Council's actions. These are listed in the table below. The indicators track

	Shire of Mundaring Strategic Priorities:
SP1	Valued Natural Environment
SP2	Community and Sporting Facilities, Playgrounds, Halls and Buildings for Community Groups
SP3	Improved Community Outcomes in the areas of Public Transport, Services for Seniors, Youth and People with Disability
SP4	Bushfire Prevention and Emergency Management

progress in strategic priority and four year priority areas and are identified on the indicator table using the notation below. Indicators tracking progress in other areas are designated "O".

	Four Year Priorities from CBP
P2	Capital
P3	Services (Landcare/Friends, Mowing Parks, Reserves, Verges, Bushfire Mitigation, Drainage and Remodelling
P4	Planning and Strategy (from strategy table Page 14)
O	Tracking Progress in Other Areas

Local Government level of Control/ Influence

Some of the indicators cover areas over which Council may have little control or influence, but which remain appropriate measures of progress towards the achievement of the community's vision. The level of Council influence is reflected alongside the indicators and is colour coded for ease of reference in the indicator tables.

The coding is reflected in the diagram right:

High	Areas that are in Direct Control of Local Government
Medium	Areas that Local Government does not Control but can Influence
Low	Areas that Local Government neither Controls nor is likely to Influence, but are of concern to the Community and Impact on Community Well Being

Strategic Theme 1: Valued Natural Environment:

- To preserve and enhance the natural environment
- To encourage and support environmental volunteering
- Sustainable Living

Control level	Strategic Priorities	Indicators and Measures	2013-14	2014-15
M	SP1	# of trees/seedlings planted in natural areas / greenways by Shire and Friends Groups	8,220	10,220
L	P3	# hours spent on-ground by Friends Groups	8,220	4,114
H	P3	# of hours of Landcare Officer assistance to Friends Group	3,725	3,911
M	P3	% Friends Groups satisfaction with Shire assistance	90.9	92.5
L	P3	# of new Friends Groups	3	4
H	P3	# of seedlings provided to public through Tree Canopy and Understorey Program	52,000	52,000
M	P3	# of applications for the Tree Canopy and Understorey Program	1,600	1,400
M	SP1 & 4	Bush fire protection and weed control - # of prescribed burns conducted	65	62
H	P2	% parks, reserves and public open spaces capital projects completed	75	75
H	P2	Develop Mundaring Community Sculpture Park		10% complete
H	SP1	# of hours to mow verges	6,297	6,893
M	SP1	Residents Satisfaction with services and facilities: % of respondents satisfied with mowing of : verges, reserves and public open spaces	63	Next survey Sept 2015

Strategic Theme 2: Balanced Development:

Balanced development – don't lose our special character

Village lifestyle with a strong town centre

Easy to get around – within and to/from Shire

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
H	P4	Building Envelope Register for LPS4	100% Complete	N/A
H	P4	Access strategy for bushfire prone areas		5% complete
H	P4	Helena Valley urban expansion strategy		25% complete
H	P4	Review Local Commercial Strategy		Commence 2016/17
H	P4	Light Industrial investigation		Commence 2018/19
H	P4	Limited Rural Strategy for Bailup and Wooroloo prepared		Commence 2018/19
H	P4	Mundaring Town Centre Precinct Plan		5% complete
H	P4	Darlington Precinct Plan		Commence 2018/19
H	P4	Watercourse hierarchy strategy		Commence 2016/17
H	P1	Develop a playground strategy	80% Complete	80% Complete
H	P2	% roads, bridges and bus shelter capital projects completed	88	89

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
M	P2	% of roads in "Satisfactory" condition	66.2% sealed road network in satisfactory condition 0.8% sealed road network in very poor condition	N/A Road Condition Surveys carried out every 5 years
	P2	Investigate Trail link Morrison Road	Concept Complete	Funding allocated. Design completed
H	P2	% footpaths / cycleways capital projects completed	93	97
M	P2	% of footpaths / cycleways in "Satisfactory" condition	Incomplete – subject to condition survey being completed and available funding. Proposal 2015.	Incomplete – subject to condition survey being completed and available funding. Proposal 2015.

H	P2	# Drainage capital projects completed	80	86
M	P2	# of properties complaining of flooding	45	0
H	P2	# of catchments analysed for drainage capacity per annum	1	1

Strategic Theme 3: Thriving Community

Strong sense of community – engaged, connected, inclusive, learning

For young and old – meets the needs across the generations

Appropriate local services and facilities

Great outdoor places – to be, and play

Healthy and active

Celebrate our unique features

Known for our arts, culture and heritage

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
H	SP2	% of respondents satisfied with the performance of the SOM with respect to playgrounds and parks	74	Next survey Sept 2015
H	SP2	Sport and recreation facilities	73	Next survey Sept 2015
H	SP2	Bilgoman Aquatic Centre and, Mount Helena Aquatic Centre	90	Next survey Sept 2015
H	SP2	Library services	86	Next survey Sept 2015
M	SP2	Community buildings, halls & toilets	67	Next survey Sept 2015
M	SP4	Bushfire preparedness % of assessments leading to issuing of bushfire compliance notices	2.7%	15.49%
H	SP4	# of Bushfire preparedness inspections undertaken (Not a full year, program still being developed)		297
H	O	# of years lapsed since the Heritage register was updated.		35% complete

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
H	O	\$ investment in public art	10,000	10,000
H	O	% Community Satisfaction in the efficiency and effectiveness of the Shire's customer service	72	Next survey Sept 2015
H	P2	% Building Minor Capital projects completed	50% Complete	60% Complete
H	P2	Lake Leschenaultia caretaker accommodation		Commence 2016/17
H	P2	Construct Boya Oval facilities		7% complete
H	P2	Glen Forest Oval - replace toilet block		Commence 2017/18
H	P2	Sawyers Valley Oval - replace toilet block		Commence 2017/18
H	P2	Upgrade of Bilgoman Aquatic Centre heating system, pool pumps and piping to improve efficiency		Completed November 2014
H	P3	% Community Satisfaction with waste transfer stations services	78	Next survey Sept 2015
H	P3	% Community Satisfaction with Verge-side bulk rubbish collection	61	Next survey Sept 2015
		Residents Satisfaction with services and facilities: % of respondents satisfied with :		
M	SP3	Services for children under 12 years old	53	Next survey Sept 2015

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
M	SP3	Services and facilities for youth aged 12-25 years	45	Next survey Sept 2015
M	SP3	Facilities, services and care available for seniors	75	Next survey Sept 2015
M	SP3	Access to services and facilities for people with disability	58	Next survey Sept 2015

Strategic Theme 4: Respected Civic Leadership
strong civic leadership and trusted governance

High Medium Low- Control	Strategic Priorities	Indicators and Measures	2013-14	2014-15
H	O	Residents satisfied with the elected members' leadership % of respondents satisfied with the Shire's elected member's leadership within the community	45	Next survey Sept 2015
M	O	# of Ordinary and Special Council Meetings attended by elected members	300	263
H	SP3	Advocacy on key issues of community interest # of planned activities completed	4	6
M	O	% Respondents satisfaction with how the Shire engage the community about local issues	56	Next survey Sept 2015
M	SP3	# of issues effectively advocated on	2	2
H	P4	Community members engaged in planning, implementation and or monitoring: % of respondents who agree that the Shire has developed and communicated a clear vision for the area.	29	Next survey Sept 2015
H	P4	Community members engaged in planning, implementation and or monitoring: % of respondents satisfied with Shire engaging the community about local issues	56	Next survey Sept 2015

SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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	60

**SHIRE OF MUNDARING
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2015 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 14th day of October 2015



Jonathan Throssell
Chief Executive Officer

SHIRE OF MUNDARING
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Rates	22	23,755,786	23,702,860	24,041,908
Operating grants, subsidies and contributions	28	7,986,159	5,780,407	5,813,271
Fees and charges	27	10,908,892	10,695,085	7,617,052
Interest earnings	2(a)	890,264	1,065,000	1,058,218
Other revenue		<u>3,012,129</u>	<u>2,948,525</u>	<u>7,457,014</u>
		46,553,230	44,191,877	45,987,463
Expenses				
Employee costs		(17,642,450)	(18,064,167)	(16,628,640)
Materials and contracts		(18,026,256)	(18,503,986)	(14,925,821)
Utility charges		(1,045,887)	(1,413,028)	(1,234,456)
Depreciation on non-current assets	2(a)	(7,075,476)	(8,541,748)	(7,540,650)
Interest expenses	2(a)	(312,759)	(309,661)	(326,370)
Insurance expenses		(890,568)	(1,005,352)	(913,353)
Other expenditure		<u>(572,177)</u>	<u>(1,451,451)</u>	<u>(8,314,431)</u>
		(45,565,573)	(49,289,393)	(49,883,721)
		987,657	(5,097,516)	(3,896,258)
Non-operating grants, subsidies and contributions	28	3,407,740	3,519,507	10,346,314
Fair value adjustments to fixed assets at fair value through profit or loss	7(b)	(2,264,507)	0	0
Loss on asset disposals	20	(97,279)	0	(132,401)
Change in Equity - Joint Venture	16	<u>1,340,977</u>	<u>0</u>	<u>4,385,678</u>
Net result		3,374,588	(1,578,009)	10,703,333
Other comprehensive income				
Changes on revaluation of non-current assets	7(b)	208,411,635	0	38,621,083
Total other comprehensive income		<u>208,411,635</u>	<u>0</u>	<u>38,621,083</u>
Total comprehensive income		<u><u>211,786,223</u></u>	<u><u>(1,578,009)</u></u>	<u><u>49,324,416</u></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 2015

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue	2(a)			
Governance		145,484	81,200	781,527
General purpose funding		29,187,405	27,756,952	26,516,580
Law, order, public safety		930,862	418,200	5,151,187
Health		100,918	55,700	79,120
Education and welfare		5,375,622	4,818,166	4,352,479
Community amenities		7,252,262	7,124,290	4,329,759
Recreation and culture		1,281,772	1,053,713	2,416,707
Transport		173,268	186,000	343,825
Economic services		316,172	238,500	267,806
Other property and services		1,789,465	2,459,156	1,748,473
		<u>46,553,230</u>	<u>44,191,877</u>	<u>45,987,463</u>
Expenses	2(a)			
Governance		(4,403,412)	(5,125,476)	(4,791,246)
General purpose funding		(669,022)	(681,138)	(886,524)
Law, order, public safety		(2,659,846)	(2,395,826)	(6,717,482)
Health		(684,683)	(814,610)	(610,802)
Education and welfare		(6,659,065)	(6,664,979)	(5,865,574)
Community amenities		(8,158,999)	(8,779,786)	(7,765,411)
Recreation and culture		(9,823,430)	(8,679,958)	(9,055,067)
Transport		(8,743,645)	(11,868,069)	(10,539,365)
Economic services		(737,417)	(809,159)	(713,023)
Other property and services		(2,713,295)	(3,160,731)	(2,612,857)
		<u>(45,252,814)</u>	<u>(48,979,732)</u>	<u>(49,557,351)</u>
Finance costs	2(a)			
Governance		<u>(312,759)</u>	<u>(309,661)</u>	<u>(326,370)</u>
		(312,759)	(309,661)	(326,370)
Non-operating grants, subsidies and contributions				
Law, order, public safety		812,107	0	181,239
Education and welfare		58,470	58,500	0
Recreation and culture		869,339	1,920,000	187,000
Transport		1,667,824	1,541,007	9,978,075
	28	<u>3,407,740</u>	<u>3,519,507</u>	<u>10,346,314</u>
Profit/(Loss) on disposal of assets				
Governance		(18,477)	0	0
Law, order, public safety		(1,335)	0	(2,000)
Health		0	0	(2,205)
Education and welfare		0	0	(4,273)
Community amenities		(31,934)	0	0
Recreation and culture		(6,294)	0	(2,313)
Transport		(32,931)	0	(121,610)
Other property and services		<u>(6,308)</u>	<u>0</u>	<u>0</u>
	20	(97,279)	0	(132,401)
Fair value adjustments to fixed assets at fair value through profit or loss	7(b)	(2,264,507)	0	0
Change in Equity - Joint Venture	16	1,340,977	0	4,385,678
Net result		<u>3,374,588</u>	<u>(1,578,009)</u>	<u>10,703,333</u>
Other comprehensive income				
Changes on revaluation of non-current assets	7(b)	208,411,635	0	38,621,083
Total other comprehensive income		<u>208,411,635</u>	<u>0</u>	<u>38,621,083</u>
Total comprehensive income		<u>211,786,223</u>	<u>(1,578,009)</u>	<u>49,324,416</u>

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

SHIRE OF MUNDARING
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015

	NOTE	2015 Actual \$	2014 Actual \$
CURRENT ASSETS			
Cash and cash equivalents	3	21,563,712	18,332,452
Trade and other receivables	4	2,278,492	3,750,690
Inventories	5	109,036	98,646
Land held for sale	5 (a)	116,195	116,195
TOTAL CURRENT ASSETS		24,067,435	22,297,983
NON-CURRENT ASSETS			
Other receivables	4	806,016	743,832
Property, plant and equipment	6	77,373,189	77,842,012
Infrastructure	7	363,046,945	155,937,668
Interest in Joint Venture	16	16,479,545	15,138,568
TOTAL NON-CURRENT ASSETS		457,705,695	249,662,080
TOTAL ASSETS		481,773,130	271,960,063
CURRENT LIABILITIES			
Trade and other payables	8	1,285,827	3,335,857
Current portion of long term borrowings	9	213,366	199,080
Provisions	10	2,982,877	2,645,776
TOTAL CURRENT LIABILITIES		4,482,070	6,180,713
NON-CURRENT LIABILITIES			
Long term borrowings	9	4,133,215	4,346,581
Provisions	10	248,915	310,062
TOTAL NON-CURRENT LIABILITIES		4,382,130	4,656,643
TOTAL LIABILITIES		8,864,200	10,837,356
NET ASSETS		472,908,930	261,122,707
EQUITY			
Retained surplus		139,461,200	137,822,786
Reserves - cash backed	11	12,457,169	10,720,995
Revaluation surplus	12	320,990,561	112,578,926
TOTAL EQUITY		472,908,930	261,122,707

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 2015

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2013		126,777,263	11,063,185	73,957,843	211,798,291
Comprehensive income					
Net result		10,703,333	0	0	10,703,333
Changes on revaluation of non-current assets	12	0	0	38,621,083	38,621,083
Total comprehensive income		10,703,333	0	38,621,083	49,324,416
Transfers from/(to) reserves		342,190	(342,190)	0	0
Balance as at 30 June 2014		137,822,786	10,720,995	112,578,926	261,122,707
Comprehensive income					
Net result		3,374,588	0	0	3,374,588
Changes on revaluation of non-current assets	12	0	0	208,411,635	208,411,635
Total comprehensive income		3,374,588	0	208,411,635	211,786,223
Transfers from/(to) reserves		(1,736,174)	1,736,174	0	0
Balance as at 30 June 2015		139,461,200	12,457,169	320,990,561	472,908,930

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 2015

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		23,556,751	23,702,860	23,982,181
Operating grants, subsidies and contributions		7,986,159	5,780,407	5,813,271
Fees and charges		12,419,424	10,695,085	5,303,458
Interest earnings		890,264	1,065,000	1,058,218
Goods and services tax		2,052,581	1,500,000	1,922,908
Other revenue		3,012,129	2,948,525	7,457,014
		<u>49,917,308</u>	<u>45,691,877</u>	<u>45,537,050</u>
Payments				
Employee costs		(17,366,496)	(18,064,167)	(16,449,981)
Materials and contracts		(20,086,676)	(18,503,986)	(13,152,880)
Utility charges		(1,045,887)	(1,413,028)	(1,234,456)
Interest expenses		(312,759)	(309,661)	(326,370)
Insurance expenses		(890,568)	(1,005,352)	(913,353)
Goods and services tax		(1,954,067)	(1,500,000)	(2,000,566)
Other expenditure		(572,177)	(1,451,451)	(8,314,431)
		<u>(42,228,630)</u>	<u>(42,247,645)</u>	<u>(42,392,037)</u>
Net cash provided by (used in) operating activities	13(b)	<u>7,688,678</u>	<u>3,444,232</u>	<u>3,145,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,639,114)	(11,110,986)	(2,795,912)
Payments for construction of infrastructure		(4,451,685)	(4,913,093)	(12,113,501)
Non-operating grants, Subsidies and contributions		3,407,740	3,519,507	10,346,314
Proceeds from sale of fixed assets		424,721	2,638,140	312,720
Net cash provided by (used in) investment activities		<u>(4,258,338)</u>	<u>(9,866,432)</u>	<u>(4,250,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(199,080)	(199,080)	(185,751)
Proceeds from new debentures		0	16,000,000	0
Net cash provided by (used in) financing activities		<u>(199,080)</u>	<u>15,800,920</u>	<u>(185,751)</u>
Net increase (decrease) in cash held		3,231,260	9,378,720	(1,291,117)
Cash at beginning of year		18,332,452	18,836,108	19,623,569
Cash and cash equivalents at the end of the year	13(a)	<u>21,563,712</u>	<u>28,214,828</u>	<u>18,332,452</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 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		145,484	81,200	781,527
General purpose funding		5,431,619	4,054,092	2,474,672
Law, order, public safety		1,742,969	418,200	5,332,426
Health		100,918	55,700	79,120
Education and welfare		5,434,092	4,876,666	4,352,479
Community amenities		7,252,262	7,124,290	4,329,759
Recreation and culture		2,151,111	2,973,713	2,603,707
Transport		1,841,092	1,727,007	10,321,900
Economic services		316,172	238,500	267,806
Other property and services		1,789,465	2,459,156	1,748,473
		<u>26,205,184</u>	<u>24,008,524</u>	<u>32,291,869</u>
Expenses				
Governance		(4,734,648)	(5,435,137)	(5,117,616)
General purpose funding		(669,022)	(681,138)	(886,524)
Law, order, public safety		(2,661,181)	(2,395,826)	(6,719,482)
Health		(684,683)	(814,610)	(613,007)
Education and welfare		(6,659,065)	(6,664,979)	(5,869,847)
Community amenities		(8,190,933)	(8,779,786)	(7,765,411)
Recreation and culture		(9,829,724)	(8,679,958)	(9,057,380)
Transport		(8,776,576)	(11,868,069)	(10,660,975)
Economic services		(737,417)	(809,159)	(713,023)
Other property and services		(2,719,603)	(3,160,731)	(2,612,857)
		<u>(45,662,852)</u>	<u>(49,289,393)</u>	<u>(50,016,122)</u>
Net result excluding rates		(19,457,668)	(25,280,869)	(17,724,253)
Adjustments for cash budget requirements:				
Non-cash expenditure and revenue				
(Profit)/Loss on asset disposals	20	97,279	0	132,401
Movement in deferred pensioner rates (non-current)		(59,500)	0	(38,913)
Movement in employee benefit provisions (non-current)		(63,834)	0	(47,137)
Depreciation on assets	2(a)	7,075,476	8,541,748	7,540,650
Capital Expenditure and Revenue				
Purchase of land and buildings	6(b)	(1,805,754)	(10,226,000)	(1,506,161)
Purchase furniture and equipment	6(b)	(59,628)	(105,500)	(54,323)
Purchase plant and equipment	6(b)	(1,773,732)	(779,486)	(1,235,428)
Purchase Infrastructure	7(b)	(4,451,685)	(4,913,093)	(12,113,501)
Proceeds from disposal of fixed assets	20	424,721	2,638,140	312,720
Repayment of debentures	21(a)	(199,080)	(199,080)	(185,751)
Proceeds from new debentures	21(a)	0	16,000,000	0
Transfers to reserves (restricted assets)	11	(4,461,361)	(21,886,000)	(2,267,377)
Transfers from reserves (restricted assets)	11	2,725,187	9,159,283	2,609,567
ADD Estimated surplus/(deficit) July 1 b/fwd	22(b)	5,479,160	4,877,217	6,014,758
LESS Estimated surplus/(deficit) June 30 c/fwd	22(b)	7,225,367	1,529,220	5,479,160
Total amount raised from general rate	22	<u>(23,755,786)</u>	<u>(23,702,860)</u>	<u>(24,041,908)</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 2015

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 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 Shire 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.

(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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the Council's intentions to release for sale.

(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 1996* 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, the Shire 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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)*, the Shire 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.

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 Shire 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.

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 Shire.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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 treated in one of the following ways:

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

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

Buildings

- Structure	25 to 50 years
- Fit out	10 years
- Mechanical	5 to 15 years
- Roof Cladding	30 to 50 years

Furniture and Equipment

3 to 12 years

Plant and Equipment

3 to 20 years

Sealed Roads and Streets

- Formation	not depreciated
- Pavement	60 years
- Surface	12 to 15 years
- Kerb	70 years

Unsealed Roads

- Formation	not depreciated
- Surface	15 years

Drainage

75 years

Culverts

70 years

Bridges

35 to 100 years

Footpaths

15 to 30 years

Heritage Trails

75 years

Waste Transfer Stations

15 to 100 years

Bus Shelters

50 years

Parks Hard Assets

10 to 75 years

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

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

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

Capitalisation threshold

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 2015

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

(g) Fair Value of Assets and Liabilities

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

Fair Value is the price that the Shire 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 or liability. 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) 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 Shire 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 Shire 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 2015

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 Shire 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 are 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 1996* 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 Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire 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 2015

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 Shire 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 2015

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 Shire 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 Shire'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 Shire prior to the end of the financial year that are unpaid and arise when the Shire 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 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

Provision is made for the Shire'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 Shire'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 Shire'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 Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire 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.

(m) Provisions

Provisions are recognised when the Shire 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 Shire, 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.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Shire 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 Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire'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 Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire 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 Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(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 Shire'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 Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Shire's operational cycle. In the case of liabilities where the Shire 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 Shire'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.

(u) Comparative Figures

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) Budget Comparative Figures

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

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, 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)	September 2012	1 January 2018	Nil - The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Shire (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]			
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv)	AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments - 1 January 2015]	December 2013	Refer title column	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. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Shire.
(v)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.
(vi)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures.
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.
[AASB 10, 124 & 1049]			The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

(x) Adoption of New and Revised Accounting Standards

During the current year, the Shire 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 2011-7
AASB 2012-3
AASB 2013-3
AASB 2013-8
AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the Shire 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 2015

2. REVENUE AND EXPENSES			
	2015	2014	
(a) Net Result	Actual	Actual	
	\$	\$	
The Net result includes:			
(i) Charging as an expense:			
Significant expense			
Bushfire Reimbursements - WANDRRA	<u>282,797</u>	<u>4,381,552</u>	
Auditors remuneration			
- Audit of the annual financial report	19,800	14,060	
- Financial Management Review	18,000	0	
- Other services	<u>2,110</u>	<u>1,500</u>	
	<u>39,910</u>	<u>15,560</u>	
Depreciation			
Buildings	2,663,390	959,445	
Furniture and Equipment	163,619	147,869	
Plant and Equipment	758,928	718,111	
Roads	2,392,286	4,657,003	
Footpaths	168,058	157,201	
Drainage	583,534	452,320	
Parks Hard Assets	<u>345,661</u>	<u>448,701</u>	
	<u>7,075,476</u>	<u>7,540,650</u>	
Interest expenses (finance costs)			
Debentures (refer Note 21 (a))	<u>312,759</u>	<u>326,370</u>	
	<u>312,759</u>	<u>326,370</u>	
(ii) Crediting as revenue:			
Significant revenue			
Non Cash contribution - subdivision infrastructure assets vested with the Shire	0	7,809,500	
Bushfire Reimbursements - WANDRRA	282,797	4,381,552	
Non Cash - change in equity joint venture EMRC	<u>1,340,977</u>	<u>4,385,678</u>	
	<u>1,623,774</u>	<u>16,576,730</u>	
	2015	2015	2014
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	366,597	415,000	410,535
- Municipal funds	379,037	500,000	493,368
Other interest revenue (refer note 26)	<u>144,630</u>	<u>150,000</u>	<u>154,315</u>
	<u>890,264</u>	<u>1,065,000</u>	<u>1,058,218</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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"

Shire 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 2015

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 the Shire'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 2015

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions	Opening Balance ⁽¹⁾ 1/07/13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance ⁽¹⁾ 30/06/14 \$	Received ⁽²⁾ 2014/15 \$	Expended ⁽³⁾ 2014/15 \$	Closing Balance 30/06/15 \$
Grant/Contribution							
Grant - Kidsport Funding	21,293	41,870	(43,763)	19,400	53,340	(49,451)	23,289
Grant - Fusion Art	2,000	0	(2,000)	0	0	0	0
Grant - Scooter Mobility Shelter	2,000	0	(2,000)	0	0	0	0
Grant - Elsie Austin Oval Social Rooms	150,000	0	0	150,000	37,500	(4,221)	183,279
Grant - CCTV Lake Leschenaultia	18,360	0	(18,360)	0	0	0	0
Grant - Friends Groups	0	32,500	(10,668)	21,832	5,909	(27,741)	0
Grant - MRRG Guidelines	0	13,321	(7,875)	5,446	0	(5,446)	0
Contribution - Communication Plan Sculpture Park	0	82,356	(1,700)	80,656	0	(121)	80,535
Grant - Local Government Reform	0	201,926	(103,493)	98,433	0	(98,433)	0
Grant - New Child Care Centres	0	375,000	(64,908)	310,092	0	(310,092)	0
Grant - Environmental	0	0	0	0	41,700	(27,483)	14,217
Grant - Roads to Recovery	0	0	0	0	480,858	(382,280)	98,578
Grant - Swan View Youth Centre	0	0	0	0	58,470	(9,095)	49,375
Grant - Mundaring Recreation Centre	0	0	0	0	500,000	(93,825)	406,175
Total	193,653	746,973	(254,767)	685,859	1,177,777	(1,008,188)	855,448

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 2015

	Note	2015 Actual \$	2014 Actual \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		9,106,543	6,925,598
Restricted		<u>12,457,169</u>	<u>11,406,854</u>
		<u>21,563,712</u>	<u>18,332,452</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant Reserve	11	316,102	559,891
Civic Facilities Reserve	11	1,938,928	1,698,326
Information Technology Reserve	11	812,501	707,899
Children's Services Reserve	11	2,200,153	1,786,292
Capital Investment Reserve	11	3,920,966	3,920,966
Capital Income Reserve	11	2,107,416	1,724,238
Gravel Pit Rehabilitation Reserve	11	110,339	164,574
Long Service Leave Reserve	11	195,316	158,809
Unspent Grants Reserve	2(c) & 11	<u>855,448</u>	<u>685,859</u>
		<u>12,457,169</u>	<u>11,406,854</u>
		2015 Actual \$	2014 Actual \$
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		792,900	653,362
Sundry debtors		1,326,976	2,979,520
Sanitation Debtors		80,881	46,116
Pool Inspections		110	301
LSL Contributions - Other Local Governments		<u>77,625</u>	<u>71,391</u>
		<u>2,278,492</u>	<u>3,750,690</u>
Non-current			
Rates outstanding - pensioners		766,539	707,042
Debtors - POS Payments		27,237	27,237
LSL Contributions - Other Local Governments		<u>12,240</u>	<u>9,553</u>
		<u>806,016</u>	<u>743,832</u>
5. INVENTORIES			
Current			
Fuel and materials		<u>109,036</u>	<u>98,646</u>
5 (a). LAND HELD FOR SALE			
Current			
Cost of Acquisition		<u>116,195</u>	<u>116,195</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 Actual \$	2014 Actual \$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Freehold land at:		
- Independent valuation 2014 - level 2	31,719,602	31,719,602
- Additions after valuation - cost	<u>0</u>	<u>0</u>
	31,719,602	31,719,602
Land vested in and under the control of Council (Golf Course) at:		
- Independent valuation 2014 - level 3	800,000	800,000
- Additions after valuation - cost	<u>0</u>	<u>0</u>
	800,000	800,000
	<u>32,519,602</u>	<u>32,519,602</u>
Specialised buildings at:		
- Independent valuation 2014 - level 3	35,643,000	35,643,000
- Additions after valuation - cost	2,854,771	0
- Works in Progress	294,658	1,343,675
Less: accumulated depreciation	<u>(2,663,390)</u>	<u>0</u>
	36,129,039	36,986,675
	<u>36,129,039</u>	<u>36,986,675</u>
Total land and buildings	<u>68,648,641</u>	<u>69,506,277</u>
Furniture and Equipment at:		
- Management valuation 2013 - level 3	1,792,898	4,332,280
- Additions after valuation - cost	59,628	54,323
Less accumulated depreciation	<u>(1,053,561)</u>	<u>(3,483,227)</u>
	798,965	903,376
Plant and Equipment at:		
- Management valuation 2013 - level 2	8,008,991	7,394,394
- Additions after valuation - cost	1,773,732	1,235,428
Less accumulated depreciation	<u>(1,857,140)</u>	<u>(1,197,463)</u>
	7,925,583	7,432,359
	<u>77,373,189</u>	<u>77,842,012</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as 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. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Works in Progress \$	Carrying Amount at the End of Year \$
Freehold land	(Level 2)	31,719,602	0	0	0	0	0	0	31,719,602
Land vested in and under the control of Council (Golf Course)	(Level 3)	800,000	0	0	0	0	0	0	800,000
Total land		32,519,602	0	0	0	0	0	0	32,519,602
Specialised buildings	(Level 3)	36,986,675	2,854,771	0	0	0	(2,663,390)	(1,049,017)	36,129,039
Total buildings		36,986,675	2,854,771	0	0	0	(2,663,390)	(1,049,017)	36,129,039
Total land and buildings		69,506,277	2,854,771	0	0	0	(2,663,390)	(1,049,017)	68,648,641
Furniture and Equipment	(Level 3)	903,376	59,628	(420)	0	0	(163,619)	0	798,965
Plant and Equipment	(Level 2)	7,432,359	1,773,732	(521,580)	0	0	(758,928)	0	7,925,583
Total property, plant and equipment		77,842,012	4,688,131	(522,000)	0	0	(3,585,937)	(1,049,017)	77,373,189

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7 (a). INFRASTRUCTURE	2015 Actual \$	2014 Actual \$
Roads		
- Independent valuation 2015 - level 3	294,773,844	0
- Management valuation 2015 - level 3	948,000	
- Management valuation 2014 - level 3	0	123,570,765
- Additions after valuation - cost	3,377,127	0
Less accumulated depreciation	<u>(13,155,593)</u>	<u>0</u>
	285,943,378	123,570,765
Footpaths		
- Independent valuation 2015 - level 3	13,915,481	0
- Additions after valuation - cost	273,355	0
- Cost	0	7,483,193
Less accumulated depreciation	<u>(660,696)</u>	<u>(1,974,531)</u>
	13,528,140	5,508,662
Drainage		
- Management valuation 2015 - level 3	63,178,222	0
- Additions after valuation - cost	511,450	0
- Cost	0	22,134,532
Less accumulated depreciation	<u>(21,496,629)</u>	<u>(5,633,095)</u>
	42,193,043	16,501,437
Parks Hard Assets		
- Independent valuation 2015 - level 3	11,367,684	0
- Management valuation 2015 - level 3	12,512,794	0
- Additions after valuation - cost	289,753	0
- Cost	0	14,868,570
Less accumulated depreciation	<u>(2,787,847)</u>	<u>(7,027,895)</u>
	21,382,384	7,840,675
Gardens		
- Management valuation 2015	0	0
- Cost	0	2,516,129
Less accumulated depreciation	<u>0</u>	<u>0</u>
	0	2,516,129
	<u><u>363,046,945</u></u>	<u><u>155,937,668</u></u>

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as 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. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires infrastructure to be shown at fair value.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

		Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of the Year \$
Roads	(Level 3)	123,570,765	3,377,127	0	161,387,772	0	(2,392,286)	0	285,943,378
Footpaths	(Level 3)	5,508,662	273,355	0	7,914,181	0	(168,058)	0	13,528,140
Drainage	(Level 3)	16,501,437	511,450	0	25,763,690	0	(583,534)	0	42,193,043
Parks Hard Assets	(Level 3)	7,840,675	289,753	0	13,597,617	0	(345,661)	0	21,382,384
Gardens		2,516,129	0	0	(251,622)	(2,264,507)	0	0	0
Total infrastructure		<u>155,937,668</u>	<u>4,451,685</u>	<u>0</u>	<u>208,411,638</u>	<u>(2,264,507)</u>	<u>(3,489,539)</u>	<u>0</u>	<u>363,046,945</u>

The revaluation of infrastructure assets resulted in an increase on revaluation of \$208,411,638 in the net value of infrastructure.

With the exception of Gardens, all of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

As part of the fair value valuation exercise Management have determined it is not practical to recognise Gardens (grass, trees and plants) as an asset. As such the \$2,516,129 in Garden assets recognised in the financial statements at historical cost in previous years has been written back against the balance of \$251,621 in the Gardens Revaluation Surplus account (refer Note 12), and against profit and loss in the Statement of Comprehensive Income.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014
	Actual	Actual
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	941,524	1,518,389
Creditor Accruals	344,303	1,817,468
	<u>1,285,827</u>	<u>3,335,857</u>

9. LONG-TERM BORROWINGS

Current

Secured by floating charge

Debentures

213,366	199,080
<u>213,366</u>	<u>199,080</u>

Non-current

Secured by floating charge

Debentures

4,133,215	4,346,581
<u>4,133,215</u>	<u>4,346,581</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	2015	2014
	Actual	Actual
	\$	\$
Analysis of Total Provisions		
Current	2,982,877	2,645,776
Non-current	248,915	310,062
	<u>3,231,792</u>	<u>2,955,838</u>

	Provision for	Provision for	Total
	Annual & Sick	Long Service	
	Leave	Leave	\$
	\$	\$	
Opening balance at 1 July 2014	1,289,346	1,666,492	2,955,838
Additional provision	433,014	379,573	812,587
Amounts used	(369,367)	(167,266)	(536,633)
Balance at 30 June 2015	<u>1,352,993</u>	<u>1,878,799</u>	<u>3,231,792</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 Actual \$	2015 Budget \$	2014 Actual \$
11. RESERVES - CASH BACKED			
(a) Plant Reserve			
Opening balance	559,891	558,145	639,844
Amount set aside / transfer to reserve	218,780	220,131	800,150
Amount used / transfer from reserve	(462,569)	(466,346)	(880,103)
	<u>316,102</u>	<u>311,930</u>	<u>559,891</u>
(b) Civic Facilities Reserve			
Opening balance	1,698,326	2,488,679	2,723,882
Amount set aside / transfer to reserve	2,053,865	18,089,759	100,601
Amount used / transfer from reserve	(1,813,263)	(3,885,661)	(1,126,157)
	<u>1,938,928</u>	<u>16,692,777</u>	<u>1,698,326</u>
(c) Information Technology Reserve			
Opening balance	707,899	705,148	578,164
Amount set aside / transfer to reserve	104,602	105,432	147,121
Amount used / transfer from reserve	0	0	(17,386)
	<u>812,501</u>	<u>810,580</u>	<u>707,899</u>
(d) Children's Services Reserve			
Opening balance	1,786,292	1,791,532	1,550,563
Amount set aside / transfer to reserve	413,861	244,615	250,216
Amount used / transfer from reserve	0	0	(14,487)
	<u>2,200,153</u>	<u>2,036,147</u>	<u>1,786,292</u>
(e) Capital Investment Reserve			
Opening balance	3,920,966	4,065,132	4,008,723
Amount set aside / transfer to reserve	0	2,471,617	0
Amount used / transfer from reserve	0	(4,410,000)	(87,757)
	<u>3,920,966</u>	<u>2,126,749</u>	<u>3,920,966</u>
(f) Capital Income Reserve			
Opening balance	1,724,238	1,575,502	1,276,846
Amount set aside / transfer to reserve	605,536	453,824	602,237
Amount used / transfer from reserve	(222,358)	(216,550)	(154,845)
	<u>2,107,416</u>	<u>1,812,776</u>	<u>1,724,238</u>
(g) Gravel Pit Rehabilitation Reserve			
Opening balance	164,574	160,138	165,918
Amount set aside / transfer to reserve	5,496	94,776	166,137
Amount used / transfer from reserve	(59,731)	(36,000)	(167,481)
	<u>110,339</u>	<u>218,914</u>	<u>164,574</u>
(h) Long Service Leave Reserve			
Opening balance	158,809	162,075	119,245
Amount set aside / transfer to reserve	203,773	205,846	200,915
Amount used / transfer from reserve	(167,266)	(144,726)	(161,351)
	<u>195,316</u>	<u>223,195</u>	<u>158,809</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015 Actual \$	2015 Budget \$	2014 Actual \$
11. RESERVES - CASH BACKED (CONTINUED)			
(i) Unspent Grants Reserve			
Opening balance	0	0	0
Amount set aside / transfer to reserve	855,448	0	0
Amount used / transfer from reserve	0	0	0
	<u>855,448</u>	<u>0</u>	<u>0</u>
 TOTAL RESERVES	 <u>12,457,169</u>	 <u>24,233,068</u>	 <u>10,720,995</u>
 Total Opening balance	 10,720,995	 11,506,351	 11,063,185
Total Amount set aside / transfer to reserve	4,461,361	21,886,000	2,267,377
Total Amount used / transfer from reserve	<u>(2,725,187)</u>	<u>(9,159,283)</u>	<u>(2,609,567)</u>
TOTAL RESERVES	<u>12,457,169</u>	<u>24,233,068</u>	<u>10,720,995</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 2015

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 fund the replacement of works plant and light vehicles.
- (b) Civic Facilities Reserve**
 - to fund the construction and/or purchase of Public Buildings and Facilities.
- (c) Information Technology Reserve**
 - to fund the upgrade and replacement of the Shire's Information Technology.
- (d) Children's Services Reserve**
 - to provide funds for the purchase of capital equipment, preventative maintenance for Children's Services buildings and employee entitlements. Also allows cash surpluses to be carried forward to fund operating expenses for future years.
- (e) Capital Investment Reserve**
 - to fund the advancement of the Shire's Property Strategy.
- (f) Capital Income Reserve**
 - to fund the development of Shire facilities and infrastructure.
- (g) Gravel Pit Rehabilitation Reserve**
 - to fund the production of gravel and the rehabilitation of gravel pits.
- (h) Long Service Leave Reserve**
 - to fund the Shire's Long Service Leave Liability.
- (i) Unspent Grants Reserve**
 - to quarantine any unspent grant funds received during the financial year.

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 2015

12. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:

	2015 Actual \$	2014 Actual \$
(a) Plant and Equipment		
Opening balance	1,464,646	1,464,646
Revaluation increment	0	0
Revaluation decrement	0	0
	<u>1,464,646</u>	<u>1,464,646</u>
(b) Furniture and Equipment		
Opening balance	57,775	57,775
Revaluation increment	0	0
Revaluation decrement	0	0
	<u>57,775</u>	<u>57,775</u>
(c) Roads & Streets		
Opening balance	60,139,527	69,419,504
Revaluation increment	161,387,772	0
Revaluation decrement	0	(9,279,977)
	<u>221,527,299</u>	<u>60,139,527</u>
(d) Drainage		
Opening balance	343,500	343,500
Revaluation increment	25,763,691	0
Revaluation decrement	0	0
	<u>26,107,191</u>	<u>343,500</u>
(e) Footpaths & Other Infrastructure		
Opening balance	372,448	372,448
Revaluation increment	7,914,179	0
Revaluation decrement	0	0
	<u>8,286,627</u>	<u>372,448</u>
(f) Gardens		
Opening balance	251,621	251,621
Revaluation increment	0	0
Revaluation decrement	(251,621)	0
	<u>0</u>	<u>251,621</u>
(g) Parks Hard Assets		
Opening balance	2,048,349	2,048,349
Revaluation increment	13,597,614	0
Revaluation decrement	0	0
	<u>15,645,963</u>	<u>2,048,349</u>
(h) Land & Buildings		
Opening balance	47,901,060	0
Revaluation increment	0	47,901,060
Revaluation decrement	0	0
	<u>47,901,060</u>	<u>47,901,060</u>
TOTAL ASSET REVALUATION SURPLUS	<u><u>320,990,561</u></u>	<u><u>112,578,926</u></u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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:

	2015 Actual \$	2015 Budget \$	2014 Actual \$
Cash and cash equivalents	<u>21,563,712</u>	<u>28,214,828</u>	<u>18,332,452</u>

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

Net result	3,374,588	(1,578,009)	10,703,333
Non-cash flows in Net result:			
Depreciation	7,075,476	8,541,748	7,540,650
(Profit)/Loss on sale of asset	97,279	0	132,401
Fair value adjustments to fixed assets at fair value through profit or loss	2,264,507	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	1,311,497	0	(2,373,321)
(Increase)/Decrease in inventories	(10,390)	0	201,034
Increase/(Decrease) in payables	(2,050,030)	0	1,571,907
Increase/(Decrease) in provisions	275,954	0	178,659
GST Movements	98,514		(77,658)
Grants contributions for the development of assets	(3,407,740)	(3,519,507)	(10,346,314)
Change on Equity - EMRC	<u>(1,340,977)</u>	<u>0</u>	<u>(4,385,678)</u>
Net cash from operating activities	<u>7,688,678</u>	<u>3,444,232</u>	<u>3,145,013</u>

	2015 \$	2014 \$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
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>(97,268)</u>	<u>(128,485)</u>
Total amount of credit unused	<u>1,202,732</u>	<u>1,171,515</u>
Loan facilities		
Loan facilities - current	213,366	199,080
Loan facilities - non-current	<u>4,133,215</u>	<u>4,346,581</u>
Total facilities in use at balance date	<u>4,346,581</u>	<u>4,545,661</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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 2015

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 11.17%

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

	2015 Actual \$	2014 Actual \$
Current Assets	8,765,846	8,237,269
Non-Current Assets	9,099,072	8,286,117
Total Assets	<u>17,864,918</u>	<u>16,523,386</u>
Current Liabilities	597,920	611,212
Non-Current Liabilities	787,453	773,606
Total Liabilities	<u>1,385,373</u>	<u>1,384,818</u>
Net Assets	<u>16,479,545</u>	<u>15,138,568</u>
Net Movement	<u>1,340,977</u>	<u>4,385,678</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2015 Actual \$	2014 Actual \$
Governance	11,647,571	14,526,293
General purpose funding	24,347,574	20,202,926
Law, order, public safety	4,130,472	3,572,742
Health	458,707	519,497
Education and welfare	1,910,551	2,096,180
Community amenities	18,261,962	16,300,414
Recreation and culture	47,296,874	35,948,166
Transport	345,855,168	150,981,804
Economic services	42,027	48,455
Other property and services	27,507,119	27,463,702
Unallocated	315,105	299,884
	<u>481,773,130</u>	<u>271,960,063</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

	2015	2014	2013
18. FINANCIAL RATIOS			
Current ratio	2.71	1.81	2.39
Asset sustainability ratio	0.79	0.69	1.32
Debt service cover ratio	14.37	16.06	12.67
Operating surplus ratio	(0.001)	0.01	(0.05)
Own source revenue coverage ratio	0.80	0.81	0.81

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 that only require attestation they have been checked and are supported by verifiable information.

	2015	2014	2013
Asset Consumption Ratio	0.90	0.93	0.84
Asset Renewal Funding Ratio	0.94	0.95	0.97

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	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

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 2014 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2015 \$
Deposits, Bonds & Retentions	1,197,055	1,216,151	(1,009,996)	1,403,210
POS & Road Construction	3,969,409	318,655	(283,185)	4,004,879
Scheme 7 Costs	38,344	1,291	0	39,635
BCITF Levy	0	206,548	(206,548)	0
Building Services Levy	0	135,494	(135,494)	0
	<u>5,204,808</u>			<u>5,447,725</u>

20. DISPOSALS OF ASSETS - 2014/15 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	521,580	313,140	424,721	313,140	(96,859)	0
Furniture and Equipment	420	0	0	0	(420)	0
Land	0	2,325,000	0	2,325,000	0	0
	<u>522,000</u>	<u>2,638,140</u>	<u>424,721</u>	<u>2,638,140</u>	<u>(97,279)</u>	<u>0</u>

Profit	0	0
Loss	(97,279)	0
	<u>(97,279)</u>	<u>0</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2014 \$	New Loans \$	Principal Repayments		Principal 30 June 2015		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
Civic Facilities Redevelopment	4,545,661	0	199,080	199,080	4,346,581	4,346,581	312,759	309,661
	4,545,661	0	199,080	199,080	4,346,581	4,346,581	312,759	309,661

(b) New Debentures - 2014/15

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 2014 and 30 June 2015 was Nil.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 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 \$
RATE TYPE											
General Rate											
GRV - Commercial	0.07242902	256	21,177,649	1,533,876	931	0	1,534,807	1,533,876	4,300	0	1,538,176
GRV - Light Industrial	0.07242902	285	17,971,308	1,301,644	(2,149)	0	1,299,495	1,301,644	8,800	0	1,310,444
GRV - Residential	0.07242902	10,722	209,164,025	15,148,920	120,017	0	15,268,937	15,137,008	101,250	0	15,238,258
GRV - Rural Residential	0.07242902	2,980	61,965,295	4,488,085	8,614	0	4,496,699	4,487,389	3,000	0	4,490,389
UV - Rural	0.00442574	239	160,705,000	711,239	(7,768)	0	703,471	711,239	0	0	711,239
Sub-Totals		14,482	470,983,277	23,183,764	119,645	0	23,303,409	23,171,156	117,350	0	23,288,506
Minimum Payment	Minimum \$										
GRV - Commercial	724	6	51,936	4,344	0	0	4,344	4,344	0	0	4,344
GRV - Light Industrial	724	1	9,328	724	0	0	724	724	0	0	724
GRV - Residential	724	507	3,931,148	364,244	0	0	364,244	349,692	0	0	349,692
GRV - Rural Residential	724	77	695,862	55,748	0	0	55,748	55,024	0	0	55,024
UV - Mining	914	5	63,127	4,570	0	0	4,570	4,570	0	0	4,570
Sub-Totals		596	4,751,401	429,630	0	0	429,630	414,354	0	0	414,354
							23,733,039				23,702,860
Movement in Rates Received in Advance							22,747				0
Total Rates							23,755,786				23,702,860

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

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

	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
Surplus/(Deficit) 1 July 14 brought forward	<u>7,225,367</u>	<u>5,479,160</u>	<u>5,479,160</u>
<u>Comprises:</u>			
Cash and cash equivalents			
Unrestricted	9,106,542	6,925,598	6,925,598
Restricted	12,457,170	11,406,854	11,406,854
Receivables			
Rates outstanding	792,900	653,362	653,362
Sundry debtors	1,326,976	2,979,520	2,979,520
Sanitation Debtors	80,881	46,116	46,116
Pool Inspections	110	301	301
LSL Contributions - Other Local Governments	77,625	71,391	71,391
Inventories			
Fuel and materials	109,036	98,646	98,646
Land held for sale			
Cost of Acquisition	116,195	116,195	116,195
<u>Less:</u>			
Trade and other payables			
Sundry creditors	(941,524)	(1,518,389)	(1,518,389)
Creditor Accruals	(344,303)	(1,817,468)	(1,817,468)
Current portion of long term borrowings			
Secured by floating charge	(213,366)	(199,080)	(199,080)
Provisions			
Provision for annual leave	(1,352,993)	(1,289,346)	(1,289,346)
Provision for long service leave	(1,629,884)	(1,356,430)	(1,356,430)
Net current assets	<u>19,585,365</u>	<u>16,117,270</u>	<u>16,117,270</u>
<u>Less:</u>			
Reserves - restricted cash	(12,457,169)	(10,720,995)	(10,720,995)
Land held for sale	(116,195)	(116,195)	(116,195)
<u>Add:</u>			
Secured by floating charge	213,366	199,080	199,080
Surplus/(deficit)	<u>7,225,367</u>	<u>5,479,160</u>	<u>5,479,160</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2014 brought forward position used in the 2015 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2014 audited financial report.

**SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

24. SERVICE CHARGES - 2014/15 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 2015

25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR

	Type	Total Cost/ Value \$	Budget Cost/ Value \$
Rates	Write-Off	715	3,500
Interest on Unpaid Rates	Write-Off	1,577	3,500
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 - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		144,630	150,000
Charges on Instalment Plan **		24	125,942	120,000
			270,572	270,000

Ratepayers had the option of paying rates in four equal instalments, due on 4 September 2014, 6 November 2014, 8 January 2015 and 12 March 2015. Administration charges (no interest) applied for the final three instalments.

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

27. FEES & CHARGES

	2015 Actual \$	2014 Actual \$
General purpose funding	125,942	112,470
Law, order, public safety	269,305	246,847
Health	100,918	79,120
Education and welfare	2,033,682	1,822,262
Community amenities	7,191,806	4,328,259
Recreation and culture	834,349	742,793
Transport	10,809	7,760
Economic services	316,172	267,386
Other property and services	25,909	10,155
	<u>10,908,892</u>	<u>7,617,052</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 2015

28. GRANT REVENUE

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

	2015	2014
	Actual	Actual
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions	7,986,159	5,813,271
Non-operating grants, subsidies and contributions	3,407,740	10,346,314
	<u>11,393,899</u>	<u>16,159,585</u>
By Program:		
General purpose funding	4,299,600	1,244,689
Governance	530	201,926
Law, order, public safety	1,181,818	654,922
Education and welfare	3,185,690	2,498,426
Recreation and culture	990,405	1,544,226
Transport	1,721,775	10,015,396
Other property and services	14,081	0
	<u>11,393,899</u>	<u>16,159,585</u>

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2015	2014
Actual	Actual
<u>202</u>	<u>208</u>

30. ELECTED MEMBERS REMUNERATION

The following fees, expenses and allowances were paid to council members.

	2015	2015	2014
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	247,475	247,475	248,945
President's allowance	22,492	46,505	59,003
Deputy President's allowance	11,626	11,626	11,288
Travelling expenses	7,801	10,000	7,826
Telecommunications allowance and expenses	44,361	42,000	44,748
	<u>333,755</u>	<u>357,606</u>	<u>371,810</u>

**SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

31. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2014/15.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

33. EVENTS AFTER THE REPORTING DATE

There have been no significant events after the reporting period that are required to be included in the 2014/15 Annual Financial Report.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT

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

The Shire 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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	21,563,712	18,332,452	21,563,712	18,332,452
Receivables	3,084,508	4,494,522	3,084,508	4,494,522
Other Assets (Share of EMRC)	16,479,545	15,138,568	16,479,545	15,138,568
	<u>41,127,765</u>	<u>37,965,542</u>	<u>41,127,765</u>	<u>37,965,542</u>
Financial liabilities				
Payables	1,285,827	3,335,857	1,285,827	3,335,857
Borrowings	4,346,581	4,545,661	2,638,232	2,665,965
	<u>5,632,408</u>	<u>7,881,518</u>	<u>3,924,059</u>	<u>6,001,822</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 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire'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 the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2015	2014
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	215,637	183,325
- Statement of Comprehensive Income	215,637	183,325

Notes:

⁽¹⁾ 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 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire'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. The Shire 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 the Shire to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. The Shire 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.

The Shire 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 Shire's credit risk at balance date was:

	2015	2014
Percentage of rates and annual charges		
- Current	97%	97%
- Overdue	3%	3%
Percentage of other receivables		
- Current	92%	88%
- Overdue	8%	12%

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire 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 the Shire's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2015</u>					
Payables	1,285,827	0	0	1,285,827	1,285,827
Borrowings	<u>509,258</u>	<u>2,037,032</u>	<u>4,074,064</u>	<u>6,620,354</u>	<u>4,346,581</u>
	<u>1,795,085</u>	<u>2,037,032</u>	<u>4,074,064</u>	<u>7,906,181</u>	<u>5,632,408</u>
<u>2014</u>					
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>3,844,880</u>	<u>2,036,092</u>	<u>4,581,209</u>	<u>10,462,181</u>	<u>7,881,518</u>

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<u>Year ended 30 June 2015</u>								
Borrowings								
Fixed rate								
Debentures	213,366	228,676	245,085	262,672	281,520	3,115,262	4,346,581	6.95%
Weighted average Effective interest rate	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%		
<u>Year ended 30 June 2014</u>								
Borrowings								
Fixed rate								
Debentures	199,080	213,366	228,676	245,085	262,672	3,396,782	4,545,661	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 2015

35. FIXED ASSETS FAIR VALUE MEASUREMENT

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

- Land and Buildings;
- Furniture and equipment;
- Plant and equipment; and
- Roads
- Footpaths
- Drainage
- Parks Hard Assets

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 2015

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Land	6	0	31,719,602	800,000	32,519,602
Buildings	6	0	0	36,129,039	36,129,039
Furniture and Equipment	6	0	0	798,965	798,965
Plant and Equipment	6	0	7,925,583	0	7,925,583
Roads	7	0	0	285,943,378	285,943,378
Footpaths	7	0	0	13,528,140	13,528,140
Drainage	7	0	0	42,193,043	42,193,043
Parks Hard Assets	7	0	0	21,382,384	21,382,384

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

0 39,645,185 400,774,949 440,420,134

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 2014

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
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

The Shire's footpaths, drainage and parks hard assets were valued on the cost basis for the year ended 30 June 2014 and revalued at 30 June 2015.

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 2015

35. FIXED ASSETS FAIR VALUE MEASUREMENT (Continued)

The fair value of financial and non financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council specialised building assets, which are of a specialist nature and where there is no active market for the assets.

The following table summarises the valuation inputs and techniques used to determine the fair value for each asset class.

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and Buildings					
Freehold Land	Level 2	Market approach using recent observable data for similar properties in the area	Independent Registered Valuers	June 2014	Price per square metre
Land vested in and under the control of Council (Golf Course)	Level 3	Improvements to land using the cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Ground rent included with the cost of developing the golf course and applied the Depreciated Replacement Cost over the estimated economic working life, assuming the lease will be renewed , utilising the straight line depreciation method
Specialised Buildings	Level 3	Improvements to land using the cost approach using depreciated replacement cost	Independent Registered Valuers	June 2014	Improvements to land using constructions costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and Equipment	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2013	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and Equipment	Level 2	Market approach using recent observable data for similar plant	Management Valuation	June 2013	Price per item
Roads	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Footpaths	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Drainage	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parks Hard Assets	Level 3	Cost approach using depreciated replacement cost	Independent Registered Valuers and Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

**SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

35. FIXED ASSETS FAIR VALUE MEASUREMENT (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.

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.

Infrastructure - Roads & Footpaths

All road and footpath network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3, we have adopted a policy that all road network infrastructure assets are deemed to be valued at level 3.

SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

35. FIXED ASSETS FAIR VALUE MEASUREMENT (Continued)

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

Infrastructure - Drainage

All Drainage network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising assets into significant parts with different useful lives and taking into account a range of factors. These include the average cost of construction and consumption score for each component.

As these are supported by observable market evidence they have been classified as Level 2 inputs. The unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Infrastructure - Parks Hard Assets

The Parks Hard Asset Class is wholly comprised of specialised assets. These specialised assets were valued using the cost approach using professionally qualified Registered Valuers and the expertise of Shire Staff. The approach estimated the replacement cost for each asset by componentising assets into significant parts with different useful lives and taking into account a range of factors. These include the average cost of construction and consumption score for each component.

As these are supported by observable market evidence they have been classified as Level 2 inputs. The unobservable inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Fair Value Sensitivity to Unobservable Inputs

The following table summarises the quantitative information about the key significant unobservable 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-Jun-15	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 (\$36,129,039)	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 \$3,612,903
Furniture and Equipment (\$798,965)	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 \$79,896
Roads (\$285,943,378)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-4%	A change of 4% would result in an increase/decrease of \$11,437,735
Footpaths (\$13,528,140)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-4%	A change of 4% would result in an increase/decrease of \$541,125
Drainage (\$42,193,043)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-4%	A change of 4% would result in an increase/decrease of \$1,687,721
Parks Hard Assets (\$21,382,384)	Cost approach (depreciated replacement cost)	Relationship between asset consumption rating scale and the level of consumed service potential	+/-2.5%	A change of 2.5% would result in an increase/decrease of \$534,560

**SHIRE OF MUNDARING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

35. FIXED ASSETS FAIR VALUE MEASUREMENT (Continued)

Valuation processes

The Shire engages external, independent and qualified valuers to determine the fair value of the Shire's land, buildings, roads, footpaths and a portion of parks hard assets. Management determine the fair value of the Shire's plant and equipment, furniture and equipment, drainage and a portion of parks hard assets. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Manager Finance and Governance and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 30 June 2015 a comprehensive revaluation had been undertaken for all classes of assets subject to revaluation by independent qualified valuers and Shire management.

The main level 3 inputs used are derived and evaluated as follows -

1. Asset Condition - The nature of road network infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of the data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation relies upon a sampling approach (approximately 10% of each asset type) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition is valid as at the date of the valuation.

2. Relationship between asset consumption rating scale and the level of consumed service potential - Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption and future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of the Shire's own asset management and finance staff. The results of the valuation were further evaluated by confirmation against the Shire's own understanding of the assets and the level of remaining service potential.

INDEPENDENT AUDITOR'S REPORT

TO: RATEPAYERS OF SHIRE OF MUNDARING

Report on the Financial Report

We have audited the financial report of the Shire of Mundaring, which comprises the Statement of Financial Position as at 30 June 2015 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 management'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 Shires'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 2015 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 Shire.
- (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) In relation to the asset consumption ratio and asset renewal funding ratio (presented at Note 18 of the annual financial report) we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
 - (i) reasonably calculated; and
 - (ii) based on verifiable information.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Shire of Mundaring for the year ended 30 June 2015 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 BURSWOOD ROAD
BURSWOOD WA 6100


A MACRI
PARTNER

PERTH
DATED THIS 12TH DAY OF NOVEMBER 2015.

