

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

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 59
Independent Audit Report	60 & 61
Supplementary Ratio Information	62

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

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

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

Signed as authorisation of issue on the 30<sup>th</sup> day of January 2015

  
\_\_\_\_\_  
Dirk Sellenger  
Chief Executive Officer

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	22	1,095,451	1,103,328	1,168,088
Operating Grants, Subsidies and Contributions	28	1,178,424	1,178,526	2,238,507
Fees and Charges	27	278,892	286,184	299,389
Interest Earnings	2(a)(ii)	125,837	97,000	132,275
Other Revenue	2(a)(ii)	119,305	7,500	455,884
		<u>2,797,909</u>	<u>2,672,538</u>	<u>4,294,143</u>
<b>Expenses</b>				
Employee Costs		(1,180,600)	(1,167,054)	(758,906)
Materials and Contracts		(1,355,944)	(1,970,676)	(1,571,946)
Utility Charges		(185,384)	(115,556)	(142,053)
Depreciation on Non-Current Assets	2(a)(i)	(2,529,417)	(2,543,384)	(2,537,046)
Interest Expenses	2(a)(i)	(30,986)	(32,684)	(38,211)
Insurance Expenses		(136,077)	(145,915)	(108,924)
Other Expenditure		(43,428)	428,177	(83,042)
		<u>(5,461,836)</u>	<u>(5,547,092)</u>	<u>(5,240,128)</u>
Non-Operating Grants, Subsidies and Contributions	28	2,514,244	2,576,401	2,047,729
Loss upon revaluation of Non-Current Assets	2(a)(i)	0	0	(302,186)
Profit on Asset Disposals	20	1,221	38,706	32,759
Loss on Asset Disposal	20	(132,477)	(32,084)	(64,464)
		<u>(280,939)</u>	<u>(291,531)</u>	<u>767,853</u>
Changes on revaluation of non-current assets	12	5,462,076	0	0
<b>Other Comprehensive Income</b>		<u>5,462,076</u>	<u>0</u>	<u>0</u>
<b>Total Comprehensive Income</b>		<u><u>5,181,137</u></u>	<u><u>(291,531)</u></u>	<u><u>767,853</u></u>

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		12,002	4,970	42,545
General Purpose Funding		2,313,802	2,313,738	3,274,796
Law, Order, Public Safety		24,365	2,000	23,728
Health		0	0	156
Education and Welfare		52,557	53,560	69,246
Housing		100,110	82,000	100,636
Community Amenities		91,626	63,380	82,274
Recreation and Culture		21,314	21,440	398,188
Transport		18,385	18,500	163,114
Economic Services		70,966	90,750	96,916
Other Property and Services		92,782	22,200	42,544
	2(a)	<u>2,797,909</u>	<u>2,672,538</u>	<u>4,294,143</u>
<b>Expenses</b>				
Governance		(368,630)	(421,263)	(412,587)
General Purpose Funding		(82,413)	(86,887)	(82,650)
Law, Order, Public Safety		(44,460)	(77,033)	(62,892)
Health		(102,748)	(133,325)	(127,108)
Education and Welfare		(173,656)	(171,684)	(122,944)
Housing		(160,667)	(123,302)	(214,452)
Community Amenities		(291,651)	(414,533)	(299,587)
Recreation and Culture		(802,774)	(658,714)	(568,313)
Transport		(3,135,360)	(3,128,110)	(2,972,775)
Economic Services		(211,956)	(276,611)	(312,244)
Other Property and Services		(56,535)	(22,947)	(26,365)
	2(a)	<u>(5,430,850)</u>	<u>(5,514,409)</u>	<u>(5,201,917)</u>
<b>Finance Costs</b>				
General Purpose Funding		(2,941)	(2,941)	(3,407)
Housing		(24,282)	(25,507)	(29,726)
Economic Services		(3,763)	(4,235)	(4,897)
Other Property and Services		0	0	(181)
	2(a)	<u>(30,986)</u>	<u>(32,683)</u>	<u>(38,211)</u>
<b>Loss upon revaluation of Non-Current Assets</b>				
General Purpose Funding		0	0	(302,186)
<b>Non-Operating Grants, Subsidies and Contributions</b>				
General Purpose Funding		1,159,583	1,235,798	594,996
Law, Order and Public Safety		3,750	0	0
Recreation and Culture		145,585	135,277	26,000
Transport		1,205,326	1,205,326	1,166,733
Economic Services		0	0	260,000
	28	<u>2,514,244</u>	<u>2,576,401</u>	<u>2,047,729</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		0	0	298
Governance		(5,383)	(3,499)	(26,893)
Community Amenities		(158)	(3,274)	(1,949)
Recreation and Culture		0	0	2,415
Recreation and Culture		(24,728)	0	0
Transport		1,221	38,706	30,046
Transport		(10,906)	(25,311)	(35,622)
Economic Services		(91,302)	0	0
	20	<u>(131,256)</u>	<u>6,622</u>	<u>(31,705)</u>
<b>Net Result</b>		<u><b>(280,939)</b></u>	<u><b>(291,531)</b></u>	<u><b>767,853</b></u>
Changes on revaluation of non-current assets	12	5,462,076	0	0
<b>Other Comprehensive Income</b>		<u><b>5,462,076</b></u>	<u><b>0</b></u>	<u><b>0</b></u>
<b>Total Comprehensive Income</b>		<u><u><b>5,181,137</b></u></u>	<u><u><b>(291,531)</b></u></u>	<u><u><b>767,853</b></u></u>

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

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

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	2,446,769	4,285,842
Trade and Other Receivables	4	326,592	320,675
Inventories	5	12,006	8,723
<b>TOTAL CURRENT ASSETS</b>		<u>2,785,367</u>	<u>4,615,240</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	39,614	48,876
Property, Plant and Equipment	6	14,165,795	9,104,870
Infrastructure	7	69,499,765	68,026,008
<b>TOTAL NON-CURRENT ASSETS</b>		<u>83,705,174</u>	<u>77,179,754</u>
<b>TOTAL ASSETS</b>		<u>86,490,541</u>	<u>81,794,994</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	384,684	756,632
Long Term Borrowings	9	122,742	115,404
Provisions	10	234,721	223,626
<b>TOTAL CURRENT LIABILITIES</b>		<u>742,147</u>	<u>1,095,662</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	321,688	444,430
Provisions	10	14,010	23,343
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>335,698</u>	<u>467,773</u>
<b>TOTAL LIABILITIES</b>		<u>1,077,845</u>	<u>1,563,435</u>
<b>NET ASSETS</b>		<u>85,412,696</u>	<u>80,231,559</u>
<b>EQUITY</b>			
Retained Surplus		78,160,620	78,670,146
Reserves - Cash Backed	11	1,790,000	1,561,413
Revaluation Surplus	12	5,462,076	0
<b>TOTAL EQUITY</b>		<u>85,412,696</u>	<u>80,231,559</u>

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

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

		<b>RETAINED SURPLUS \$</b>	<b>RESERVES CASH BACKED \$</b>	<b>REVALUATION SURPLUS \$</b>	<b>TOTAL EQUITY \$</b>
Balance as at 1 July 2012		78,288,125	1,175,581	0	79,463,706
Comprehensive Income					
Net Result		767,853	0	0	767,853
Changes on Revaluation of Non-Current Assets	12	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		767,853	0	0	767,853
Reserve Transfers		(385,832)	385,832	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2013</b>		<b>78,670,146</b>	<b>1,561,413</b>	<b>0</b>	<b>80,231,559</b>
Comprehensive Income					
Net Result		(280,939)	0	0	(280,939)
Changes on Revaluation of Non-Current Assets	12	<u>0</u>	<u>0</u>	<u>5,462,076</u>	<u>5,462,076</u>
Total Comprehensive Income		(280,939)	0	5,462,076	5,181,137
Reserve Transfers		(228,587)	228,587	0	0
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance as at 30 June 2014</b>		<b><u>78,160,620</u></b>	<b><u>1,790,000</u></b>	<b><u>5,462,076</u></b>	<b><u>85,412,696</u></b>

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

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

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		1,111,120	1,103,328	1,116,552
Operating Grants, Subsidies and Contributions		1,183,656	1,178,526	2,238,507
Fees and Charges		243,033	515,847	291,141
Interest Earnings		125,837	97,000	132,275
Goods and Services Tax		362,590	0	305,662
Other Revenue		102,363	7,500	151,599
		<u>3,128,599</u>	<u>2,902,201</u>	<u>4,235,736</u>
<b>Payments</b>				
Employee Costs		(1,163,195)	(1,350,851)	(722,922)
Materials and Contracts		(1,750,352)	(1,991,039)	(845,615)
Utility Charges		(185,384)	(115,556)	(142,053)
Insurance Expenses		(136,077)	(145,915)	(108,924)
Interest expenses		(32,684)	(32,684)	(39,879)
Goods and Services Tax		(330,882)	0	(376,043)
Other Expenditure		(43,428)	428,177	(83,042)
		<u>(3,642,002)</u>	<u>(3,207,868)</u>	<u>(2,318,478)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>(513,403)</u>	<u>(305,667)</u>	<u>1,917,258</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(2,364,411)	(1,736,545)	(1,003,423)
Payments for Construction of Infrastructure		(1,526,195)	(2,440,390)	(1,707,390)
Advances to Community Groups		0	0	0
Non-Operating Grants, Subsidies and Contributions		2,514,244	2,576,401	2,047,729
Proceeds from Sale of Plant & Equipment		157,327	379,000	189,589
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(1,219,035)</u>	<u>(1,221,534)</u>	<u>(473,495)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(115,404)	(115,404)	(118,772)
Proceeds from Self Supporting Loans		8,769	8,769	8,303
Proceeds from New Debentures		0	0	0
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(106,635)</u>	<u>(106,635)</u>	<u>(110,469)</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(1,839,073)</u>	<u>(1,633,836)</u>	<u>1,333,294</u>
Cash at Beginning of Year		4,285,842	4,285,840	2,952,548
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>2,446,769</u></u>	<u><u>2,652,004</u></u>	<u><u>4,285,842</u></u>

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

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

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		12,002	4,970	42,843
General Purpose Funding		2,385,611	2,453,921	2,709,417
Law, Order, Public Safety		28,115	2,000	23,728
Health		0	0	156
Education and Welfare		52,557	53,560	69,246
Housing		100,110	82,000	100,636
Community Amenities		91,626	63,380	82,274
Recreation and Culture		166,899	156,717	426,603
Transport		1,224,932	1,262,532	1,359,893
Economic Services		70,966	90,750	356,916
Other Property and Services		92,782	22,200	42,544
		<u>4,225,600</u>	<u>4,192,030</u>	<u>5,214,256</u>
<b>Expenses</b>				
Governance		(374,013)	(424,762)	(439,480)
General Purpose Funding		(85,354)	(89,828)	(388,243)
Law, Order, Public Safety		(44,460)	(77,033)	(62,892)
Health		(102,748)	(133,325)	(127,108)
Education and Welfare		(173,656)	(171,684)	(122,944)
Housing		(184,949)	(148,809)	(244,178)
Community Amenities		(291,809)	(417,807)	(301,536)
Recreation and Culture		(827,502)	(658,714)	(568,313)
Transport		(3,146,266)	(3,153,421)	(3,008,397)
Economic Services		(307,021)	(280,846)	(317,141)
Other Property and Services		(56,535)	(22,947)	(26,546)
		<u>(5,594,313)</u>	<u>(5,579,176)</u>	<u>(5,606,778)</u>
<b>Net Result Excluding Rates</b>		(1,368,713)	(1,387,146)	(392,522)
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
Initial Recognition of Assets Due to Change to Regulations				
- Land Under Control of Council		0	0	(372,057)
Loss upon Revaluation of Non-Current Assets		0	0	302,186
(Profit)/Loss on Asset Disposals	20	131,256	(6,622)	31,705
Movement in Deferred Pensioner Rates (Non-Current)		0	0	452
Movement in Employee Benefit Provisions (Non-Current)		(9,333)	0	(3,899)
Movement in Employee Benefit Reserve (Added Back)		3,886	0	4,587
Depreciation on Assets	2(a)	2,529,417	2,543,384	2,537,046
<b>Capital Expenditure and Revenue</b>				
Purchase of Work in Progress		(17,000)	0	(24,047)
Purchase Land and Buildings		(1,762,730)	(975,320)	(585,398)
Purchase Furniture and Equipment		0	(325,500)	(26,866)
Purchase Plant and Equipment		(584,681)	(435,725)	(367,112)
Purchase Infrastructure Assets - Roads		(1,518,592)	(1,467,782)	(1,471,401)
Purchase Infrastructure Assets - Footpaths		(4,910)	0	0
Purchase Infrastructure Assets - Drainage		0	0	(12,160)
Purchase Infrastructure Assets - Other		(2,693)	(972,608)	(223,829)
Proceeds from Disposal of Assets	20	157,327	379,000	189,589
Repayment of Debentures	21	(115,404)	(115,404)	(118,772)
Self-Supporting Loan Principal Income		8,769	8,769	8,303
Transfers to Reserves (Restricted Assets)	11	(420,787)	(1,177,195)	(446,632)
Transfers from Reserves (Restricted Assets)	11	192,200	86,603	60,800
ADD Surplus/(Deficit) July 1 B/Fwd	22(b)	2,171,559	2,749,932	1,921,211
LESS Surplus/(Deficit) June 30 C/Fwd	22(b)	477,345	0	2,171,559
<b>Total Amount Raised from General Rate</b>	22(a)	<u>(1,087,774)</u>	<u>(1,095,614)</u>	<u>(1,160,375)</u>

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



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

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**The Local Government Reporting Entity**

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

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

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

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

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

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

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

**(c) Cash and Cash Equivalents**

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

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land Held for Sale***

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

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

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

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

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

**(f) Fixed Assets**

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

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

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

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

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

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

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

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

***Land Under Control***

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

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

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

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

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

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

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

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

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

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

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

***Revaluation***

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

***Transitional Arrangements***

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

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

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

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

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

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

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

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

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

***Land Under Roads***

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

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

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

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

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

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

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

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

***Depreciation***

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

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

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

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

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Tools	5 years
Computer Equipment & Software	5 years
Sealed roads and streets	
- Clearing & Earthworks	not depreciated
- Construction - Road Base	50 years
Original Surfacing & Re-surfacing	
- Bituminous seals	20 years
- Asphalt surfaces	25 years
Gravel roads	
- Clearing & Earthworks	not depreciated
- Construction - Road Base	50 years
- Gravel Sheeting	12 years
Formed roads - Unsealed	
- Clearing & Earthworks	not depreciated
- Construction - Road Base	50 years
Footpaths	
- Slab	40 years
- Asphalt	50 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

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

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

**Capitalisation Threshold**

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

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

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

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

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

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

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

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

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

***Fair Value Hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

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

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

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

**Income approach**

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

**Cost approach**

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

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

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

**(h) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

Amortised cost is calculated as:

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

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



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

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

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

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

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

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

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

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

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

*(v) Financial liabilities*

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

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

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

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

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

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

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

**(k) Employee Benefits**

**Short-Term Employee Benefits**

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

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

**Other Long-Term Employee Benefits**

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

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

**(l) Borrowing Costs**

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

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

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

**(m) Provisions**

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

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

**(n) Leases**

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

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

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

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

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

**(o) Investment in Associates**

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

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

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

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

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

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

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

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

**(r) Superannuation**

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

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

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

**(t) Rounding Off Figures**

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

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

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

**(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

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

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

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

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2018	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]			

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

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

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

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



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

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

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

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

Notes:

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

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

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

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

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

These new and revised standards were:

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

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

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

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Significant Expense</b>		
General Purpose Funding	<u>0</u>	<u>302,186</u>
This significant expense in the prior year relates to reduction in the fair value of the Shire's motor vehicles and plant & equipment.		
<b>Auditors Remuneration</b>		
- Audits including the financial report	14,625	14,294
- Other Services	10,185	8,620
<b>Depreciation</b>		
Buildings	147,160	140,293
Furniture and Equipment	13,435	19,207
Motor Vehicles	38,262	41,842
Plant and Equipment	139,993	246,585
Roads	2,140,435	2,054,107
Footpaths	9,007	9,007
Drainage	8,190	8,028
Parks and Ovals	17,906	15,554
Sewage	164	165
Other	14,865	2,258
	<u>2,529,417</u>	<u>2,537,046</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures (refer Note 21(a))	30,986	38,211
	<u>30,986</u>	<u>38,211</u>
(ii) Crediting as Revenue:		
<b>Significant Revenue</b>		
Recreation and Culture	<u>0</u>	<u>372,057</u>
	<u>0</u>	<u>372,057</u>
This significant revenue relates to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations. The revenue has been classified as Other Revenue by Nature or Type.		
<b>Other Revenue</b>		
Reimbursements and Recoveries	75,739	43,362
Significant Revenue (Refer Above)	0	372,057
Other	43,566	40,465
	<u>119,305</u>	<u>455,884</u>
	<u>119,305</u>	<u>455,884</u>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>Budget</b>
		<b>\$</b>
<b>Interest Earnings</b>		
Investments		
- Reserve Funds	56,800	75,000
- Other Funds	61,694	15,000
Other Interest Revenue (refer note 26)	7,343	7,000
	<u>125,837</u>	<u>97,000</u>
	<u>125,837</u>	<u>132,275</u>

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

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

**(b) Statement of Objective**

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

**GOVERNANCE**

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

**GENERAL PURPOSE FUNDING**

Rates, general purpose government grants and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

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

**HEALTH**

Food quality, pest control and other related matters.

**EDUCATION AND WELFARE**

Home and community care assistance, operation of senior citizens' centre and playgroup centre, family and community support service.

**HOUSING**

Maintenance of staff and rental housing. Administration and maintenance of community housing.

**COMMUNITY AMENITIES**

Rubbish collection services, operation of tips, effluent service, noise control, administration town-planning scheme, maintenance of cemeteries, maintenance of rest centres and storm water drainage maintenance.

**RECREATION AND CULTURE**

Maintenance of halls, aquatic centre, recreation centres and various reserves. Operation of library and television re-broadcasting services.

**TRANSPORT**

Construction and maintenance of streets, roads, drainage and footpaths. Cleaning and lighting of streets, traffic signs, depot maintenance and airstrip maintenance.

**ECONOMIC SERVICES**

The regulation and provision of tourism facilities, area promotion, building controls, saleyards, noxious weeds, vermin control and standpipes.

**OTHER PROPERTY AND SERVICES**

Private work operations, Bankwest super agency, plant repairs and operation costs.

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

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

**(c) Conditions Over Grants/Contributions**

Grant/Contribution	Function/ Activity	Opening	Received (+)	Expended (#)	Closing	Received (+)	Expended (#)	Closing
		Balance (*) 1-Jul-12 \$	2012/13 2012/13 \$	2012/13 2012/13 \$	Balance (*) 30-Jun-13 \$	2013/14 2013/14 \$	2013/14 2013/14 \$	Balance 30-Jun-14 \$
Royalties CLGF Funding - Local 10/11 - Beacon Gymnasium	General Purpose Funding	43,900	0	(43,900)	0	0	0	0
Royalties CLGF Funding - Local 10/11 - Beacon Shop	General Purpose Funding	134,962	0	(134,962)	0	0	0	0
Royalties CLGF Funding - Local 10/11 - Beacon Netball Courts	General Purpose Funding	31,092	0	(31,092)	0	0	0	0
State NRM - Marshall Rock Project	Community Amenities	3,089	0	(3,089)	0	0	0	0
Wheatbelt NRM - Native Perennial Forage Trails	Community Amenities	3,070	0	(3,070)	0	0	0	0
Co-Location Funding - Bencubbin CRC	Economic Services	72,781	0	(72,781)	0	0	0	0
Regional Local Community Infrastructure Program	General Purpose Funding	1,004	0	(1,004)	0	0	0	0
Roads to Recovery Funding	Transport	(80,630)	647,923	(567,293)	0	0	0	0
Royalties CLGF Funding - Local 11/12 - Upgrade Shire Office	General Purpose Funding	0	185,717	(7,629)	178,088	0	(178,088)	0
Royalties CLGF Funding - Local 11/12 - Bencubbin Bowling Green	General Purpose Funding	0	241,495	(9,585)	231,910	0	(231,910)	0
Dept of Regional Development & Lands - Workforce Planning Grant	Governance	0	25,000	(19,325)	5,675	0	(5,675)	0
Dept of Agriculture & Food - Dry Season Assistance Grant	Governance	0	10,000	0	10,000	0	(10,000)	0
Royalties CLGF Funding - Local 12/13 - Beacon Bowling Green	General Purpose Funding	0	0	0	0	381,059	(71,228)	309,831
State NRM Grant - Biodiversity Project	Community Amenities	0	0	0	0	25,000	(10,625)	14,375
CBH Contribution - Bushfire Brigades	Governance	0	0	0	0	3,750	0	3,750
<b>Total</b>		<b>209,268</b>	<b>1,110,135</b>	<b>(893,730)</b>	<b>425,673</b>	<b>409,809</b>	<b>(507,526)</b>	<b>327,956</b>

**Notes:**

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

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

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

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>3. CASH AND CASH EQUIVALENTS</b>		
Unrestricted	328,813	2,298,756
Restricted	<u>2,117,956</u>	<u>1,987,086</u>
	<u><u>2,446,769</u></u>	<u><u>4,285,842</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
<b>Reserves</b>		
Plant Replacement	253,971	310,668
Aged Care Units	62,441	60,249
Community Housing	35,887	34,626
Council Staff Housing	88,404	170,213
Employee Entitlements	110,645	106,759
Caravan Park Upgrade	0	640
Public Amenities and Buildings	602,641	529,399
Land and Road Development	0	625
Television and Radio Rebroadcasting	0	10,606
Becubbin Aquatic Centre Development	344,356	187,540
Community Bus Replacement	95,986	73,316
Bencubbin Recreation Complex	25,496	24,599
Office Equipment	14,628	14,117
Industrial Shed	0	23,056
Integrated Planning/Financial Reporting	15,545	15,000
Economic Development	100,000	0
Beacon Barracks Replacement	40,000	0
Total Reserves	<u>1,790,000</u>	<u>1,561,413</u>
Plus		
Unspent Grants	<u>327,956</u>	<u>425,673</u>
	<u><u>2,117,956</u></u>	<u><u>1,987,086</u></u>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	86,170	79,511
Sundry Debtors	217,333	175,691
Provision for Doubtful Debts	(51,895)	(23,784)
Accrued Income	2,664	2,200
GST Receivable	39,648	71,356
Self Supporting Loans - Current	9,262	8,769
Loans - Medical Practice	23,410	6,932
	<u>326,592</u>	<u>320,675</u>
<b>Non-Current</b>		
Self Supporting Loans - Non Current	<u>39,614</u>	<u>48,876</u>
	<u><u>39,614</u></u>	<u><u>48,876</u></u>
<b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel and Materials	<u>12,006</u>	<u>8,723</u>
	<u><u>12,006</u></u>	<u><u>8,723</u></u>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	877,000	0
- Cost	0	284,481
Land Vested in and under the control of Council	<u>372,057</u>	<u>372,057</u>
Total Land	1,249,057	656,538
Buildings at:		
- Independent Valuation 2014	10,475,550	0
- Cost		7,322,573
Less Accumulated Depreciation	<u>0</u>	<u>(1,086,196)</u>
Total Buildings	10,475,550	6,236,377
Total Land and Buildings	<u>11,724,607</u>	<u>6,892,915</u>
Furniture and Equipment - Cost	253,643	338,504
Less Accumulated Depreciation	<u>(187,073)</u>	<u>(246,497)</u>
Total Furniture and Equipment	66,570	92,007
Motor Vehicles - Independent Valuation 2013	240,454	298,636
Motor Vehicles - Cost	102,132	0
Less Accumulated Depreciation	<u>(37,827)</u>	<u>0</u>
Total Motor Vehicles	304,759	298,636
Plant and Equipment - Independent Valuation 2013	1,657,727	1,769,091
Plant and Equipment - Management Valuation 2013	28,174	28,174
Plant and Equipment - Cost	520,757	0
Less Accumulated Depreciation	<u>(153,799)</u>	<u>0</u>
Total Plant and Equipment	2,052,859	1,797,265
Work in Progress - Cost	<u>17,000</u>	<u>24,047</u>
<b>Total Property, Plant and Equipment</b>	<u><u>14,165,795</u></u>	<u><u>9,104,870</u></u>

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

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

**Land and Buildings:**

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

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

With regard to one parcel of land and specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised building assets are deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$4,429,175 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

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

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

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

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



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

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

**Land and Buildings (Continued):**

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

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

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

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

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

**Motor Vehicles:**

Motor Vehicles were revalued in 2013 as part of the mandatory requirements embodied in Local Government (Financial Management) Regulation 17A.

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

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

**Plant and Equipment:**

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

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

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

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

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

**Movements in Carrying Amounts**

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

		Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Transfers Change of Input Levels \$	Transfers Between Asset Classes \$	Revaluation Increments/ (Decrements) \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land	(Level 2)	284,481	0	(84,138)	(1,500)	0	677,157	0	876,000
Freehold Land	(Level 3)	0	0	0	1,500	0	(500)	0	1,000
Land Vested In and Under the Control of Council	(Level 3)	372,057	0	0	0	0	0	0	372,057
<b>Total Land</b>		<b>656,538</b>	<b>0</b>	<b>(84,138)</b>	<b>0</b>	<b>0</b>	<b>676,657</b>	<b>0</b>	<b>1,249,057</b>
Non-Specialised Buildings	(Level 2)	4,175,986	1,114,637	0	(1,632,176)	11,198	(1,155,888)	(95,757)	2,418,000
Specialised Buildings	(Level 3)	2,060,391	648,093	(14,371)	1,632,176	(1,125,742)	4,908,406	(51,403)	8,057,550
<b>Total Buildings</b>		<b>6,236,377</b>	<b>1,762,730</b>	<b>(14,371)</b>	<b>0</b>	<b>(1,114,544)</b>	<b>3,752,518</b>	<b>(147,160)</b>	<b>10,475,550</b>
<b>Total Land and Buildings</b>		<b>6,892,915</b>	<b>1,762,730</b>	<b>(98,509)</b>	<b>0</b>	<b>(1,114,544)</b>	<b>4,429,175</b>	<b>(147,160)</b>	<b>11,724,607</b>
Furniture and Equipment		92,007	0	0	0	(12,002)	0	(13,435)	66,570
Motor Vehicles	(Level 2)	298,636	102,132	(57,747)	0	0	0	(38,262)	304,759
Plant and Equipment	(Level 2)	1,769,091	482,549	(111,166)	0	0	0	(137,330)	2,003,144
Plant and Equipment	(Level 3)	28,174	0	0	0	24,204	0	(2,663)	49,715
Work in Progress		24,047	17,000	0	0	(24,047)	0	0	17,000
<b>Total Property, Plant and Equipment</b>		<b>9,104,870</b>	<b>2,364,411</b>	<b>(267,422)</b>	<b>0</b>	<b>(1,126,389)</b>	<b>4,429,175</b>	<b>(338,850)</b>	<b>14,165,795</b>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. INFRASTRUCTURE</b>		
Roads - Cost	101,464,014	99,945,422
Less Accumulated Depreciation	<u>(35,409,825)</u>	<u>(33,269,390)</u>
	66,054,189	66,676,032
Footpaths - Cost	549,653	544,743
Less Accumulated Depreciation	<u>(177,171)</u>	<u>(168,164)</u>
	372,482	376,579
Drainage - Cost	667,951	667,951
Less Accumulated Depreciation	<u>(225,277)</u>	<u>(217,087)</u>
	442,674	450,864
Parks & Ovals - Cost	272,761	403,505
Less Accumulated Depreciation	<u>(151,430)</u>	<u>(153,662)</u>
	121,331	249,843
Sewage - Cost	12,360	12,360
Less Accumulated Depreciation	<u>(493)</u>	<u>(329)</u>
	11,867	12,031
Playground Equipment - Independent Valuation 2014	59,500	0
Less Accumulated Depreciation	<u>0</u>	<u>0</u>
	59,500	0
Waste - Cost	108,579	0
Less Accumulated Depreciation	<u>(23,357)</u>	<u>0</u>
	85,222	0
Other - Independent Valuation 2014	2,352,500	0
Other - Cost	0	305,848
Less Accumulated Depreciation	<u>0</u>	<u>(45,189)</u>
	2,352,500	260,659
Total Infrastructure	<u><u>69,499,765</u></u>	<u><u>68,026,008</u></u>

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

**7. INFRASTRUCTURE (Continued)**

**Playground Equipment:**

The Shire's playground equipment was revalued at 30 June 2014 by independent valuers.

The playground equipment was valued having regard for its current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, the playground equipment is deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$50,909 in the net value of the Shire's playground equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(b) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

**Other Infrastructure:**

The Shire's other infrastructure was revalued at 30 June 2014 by independent valuers and management valuation.

The other infrastructure was valued having regard for its current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs). Given the significance of the Level 3 inputs into the overall fair value measurement, the other infrastructure is deemed to have been valued using Level 3 inputs.

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

The revaluation of these assets resulted in an overall increase of \$981,992 in the net value of the Shire's other infrastructure. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(c) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

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

**7. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

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

		<b>Balance at the Beginning of the Year</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Transfers Between Asset Classes</b>	<b>Revaluation Increments/ (Decrements)</b>	<b>Depreciation (Expense)</b>	<b>Carrying Amount at the End of Year</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Roads		66,676,032	1,518,592	0	0	0	(2,140,435)	66,054,189
Footpaths		376,579	4,910	0	0	0	(9,007)	372,482
Drainage		450,864	0	0	0	0	(8,190)	442,674
Parks & Ovals		249,843	0	0	(110,606)	0	(17,906)	121,331
Sewage		12,031	0	0	0	0	(164)	11,867
Playground Equipment	(Level 3)	0	0	0	8,591	50,909	0	59,500
Waste		0	0	0	85,222	0	0	85,222
Other	(Level 3)	260,659	2,693	(21,161)	1,143,182	981,992	(14,865)	2,352,500
<b>Total Infrastructure</b>		<b><u>68,026,008</u></b>	<b><u>1,526,195</u></b>	<b><u>(21,161)</u></b>	<b><u>1,126,389</u></b>	<b><u>1,032,901</u></b>	<b><u>(2,190,567)</u></b>	<b><u>69,499,765</u></b>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	328,590	719,715
PAYG Payable	20,293	18,371
FBT Liability	3,698	4,479
Income Received in Advance	5,232	0
Accrued Interest on Debentures	3,445	5,143
Accrued Salaries and Wages	23,426	8,924
	<u>384,684</u>	<u>756,632</u>

**9. LONG-TERM BORROWINGS**

**Current**

Secured by Floating Charge Debentures	<u>122,742</u>	<u>115,404</u>
	<u>122,742</u>	<u>115,404</u>

**Non-Current**

Secured by Floating Charge Debentures	<u>321,688</u>	<u>444,430</u>
	<u>321,688</u>	<u>444,430</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

Analysis of Total Provisions:

Current	234,721	223,626
Non-Current	<u>14,010</u>	<u>23,343</u>
	<u>248,731</u>	<u>246,969</u>

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance as at 1 July 2013	104,173	142,796	246,969
Additional provisions	4,314	0	4,314
Amounts used	0	(2,552)	(2,552)
Balance at 30 June 2014	<u>108,487</u>	<u>140,244</u>	<u>248,731</u>

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

	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Plant Replacement Reserve</b>			
Opening Balance	310,668	310,667	297,316
Amount Set Aside / Transfer to Reserve	11,303	39,922	13,352
Amount Used / Transfer from Reserve	<u>(68,000)</u>	<u>0</u>	<u>0</u>
	<u>253,971</u>	<u>350,589</u>	<u>310,668</u>
<b>(b) Aged Care Units Reserve</b>			
Opening Balance	60,249	60,249	57,662
Amount Set Aside / Transfer to Reserve	2,192	2,894	2,587
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>62,441</u>	<u>63,143</u>	<u>60,249</u>
<b>(c) Community Housing Reserve</b>			
Opening Balance	34,626	34,626	33,137
Amount Set Aside / Transfer to Reserve	1,261	1,663	1,489
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>35,887</u>	<u>36,289</u>	<u>34,626</u>
<b>(d) Council Staff Housing Reserve</b>			
Opening Balance	170,213	170,213	115,045
Amount Set Aside / Transfer to Reserve	6,191	8,176	55,168
Amount Used / Transfer from Reserve	<u>(88,000)</u>	<u>(50,000)</u>	<u>0</u>
	<u>88,404</u>	<u>128,389</u>	<u>170,213</u>
<b>(e) Employee Entitlements Reserve</b>			
Opening Balance	106,759	106,760	102,172
Amount Set Aside / Transfer to Reserve	3,886	5,128	4,587
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>110,645</u>	<u>111,888</u>	<u>106,759</u>
<b>(f) Caravan Park Upgrade Reserve</b>			
Opening Balance	640	640	21,669
Amount Set Aside / Transfer to Reserve	23	31	971
Amount Used / Transfer from Reserve	<u>(663)</u>	<u>(671)</u>	<u>(22,000)</u>
	<u>0</u>	<u>0</u>	<u>640</u>
<b>(g) Public Amenities and Buildings Reserve</b>			
Opening Balance	529,399	529,399	252,417
Amount Set Aside / Transfer to Reserve	73,242	553,462	276,982
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>602,641</u>	<u>1,082,861</u>	<u>529,399</u>

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

	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED (Continued)</b>			
<b>(h) Land and Road Development Reserve</b>			
Opening Balance	625	625	21,459
Amount Set Aside / Transfer to Reserve	23	30	966
Amount Used / Transfer from Reserve	(648)	(655)	(21,800)
	<u>0</u>	<u>0</u>	<u>625</u>
<b>(i) Television and Radio Rebroadcasting Reserve</b>			
Opening Balance	10,606	10,606	26,418
Amount Set Aside / Transfer to Reserve	386	509	1,188
Amount Used / Transfer from Reserve	(10,992)	(11,115)	(17,000)
	<u>0</u>	<u>0</u>	<u>10,606</u>
<b>(j) Bencubbin Aquatic Centre Development Reserve</b>			
Opening Balance	187,540	187,540	138,145
Amount Set Aside / Transfer to Reserve	156,816	159,008	49,395
Amount Used / Transfer from Reserve	0	0	0
	<u>344,356</u>	<u>346,548</u>	<u>187,540</u>
<b>(k) Community Bus Replacement Reserve</b>			
Opening Balance	73,316	73,316	51,025
Amount Set Aside / Transfer to Reserve	22,670	23,522	22,291
Amount Used / Transfer from Reserve	0	0	0
	<u>95,986</u>	<u>96,838</u>	<u>73,316</u>
<b>(l) Bencubbin Recreation Complex Reserve</b>			
Opening Balance	24,599	24,599	23,543
Amount Set Aside / Transfer to Reserve	897	1,182	1,056
Amount Used / Transfer from Reserve	0	0	0
	<u>25,496</u>	<u>25,781</u>	<u>24,599</u>
<b>(m) Office Equipment Reserve</b>			
Opening Balance	14,117	14,117	13,510
Amount Set Aside / Transfer to Reserve	511	15,678	607
Amount Used / Transfer from Reserve	0	0	0
	<u>14,628</u>	<u>29,795</u>	<u>14,117</u>
<b>(n) Industrial Shed Reserve</b>			
Opening Balance	23,056	23,055	22,063
Amount Set Aside / Transfer to Reserve	841	1,107	993
Amount Used / Transfer from Reserve	(23,897)	(24,162)	0
	<u>0</u>	<u>0</u>	<u>23,056</u>



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

	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED (Continued)</b>			
<b>(o) Integrated Planning/Financial Reporting Reserve</b>			
Opening Balance	15,000	15,000	0
Amount Set Aside / Transfer to Reserve	545	721	15,000
Amount Used / Transfer from Reserve	0	0	0
	<u>15,545</u>	<u>15,721</u>	<u>15,000</u>
<b>(p) Economic Development Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	100,000	324,162	0
Amount Used / Transfer from Reserve	0	0	0
	<u>100,000</u>	<u>324,162</u>	<u>0</u>
<b>(q) Beacon Barracks Replacement Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	40,000	40,000	0
Amount Used / Transfer from Reserve	0	0	0
	<u>40,000</u>	<u>40,000</u>	<u>0</u>
 <b>TOTAL CASH BACKED RESERVES</b>	<u>1,790,000</u>	<u>2,652,004</u>	<u>1,561,413</u>

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

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

**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:

**Plant Replacement Reserve**

- To fund the purchase of road construction plant so as to avoid any undue heavy burden in a single year.

**Aged Care Units Reserve**

- To be used for future maintenance costs. (Funds of \$500 per unit per year.)

**Community Housing Reserve**

- To fund the future maintenance of Homeswest Joint Venture/Community Housing projects.

**Council Staff Housing Reserve**

- To fund the replacement of staff housing and any major maintenance

**Employee Entitlements Reserve**

- To be used to fund Long Service Leave required / other accrued leave.

**Caravan Park Upgrade Reserve**

- To help spread the cost of major improvements to the Shire's caravan park.

**Public Amenities and Buildings Reserve**

- To help fund future building maintenance requirements to the Shire's buildings

**Land and Road Development Reserve**

- To be used for residential and industrial land and road development within the Shire.

**Television & Radio Rebroadcasting Reserve**

- To fund new and replace obsolete re-broadcasting equipment.

**Bencubbin Aquatic Centre Development Reserve**

- To finance future capital and maintenance upgrades for the Bencubbin Aquatic Centre.

**Community Bus Replacement Reserve**

- To finance the replacement of the community bus.

**Bencubbin Recreation Complex Reserve**

- To provide funding for future extensions to the Bencubbin Complex.

**Office Equipment Reserve**

- To replace office equipment as required

**Industrial Shed Reserve**

- To be used for the future construction of an industrial shed.

**Integrated Planning/Financial Reporting**

- To be used To spread the costs of the development of integrated plans, informing strategies and fair value accounting

**Economic Development Reserve**

- To set aside funds for Economic Development initiatives.

**Beacon Barracks Replacement Reserve**

- To set aside funds for reconstruction or major maintenance on the Beacon Barracks.

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

<b>12. REVALUATION SURPLUS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land and Buildings</b>		
Opening balance	0	0
Revaluation Increment	4,429,175	0
Revaluation Decrement	0	0
	<u>4,429,175</u>	<u>0</u>
<b>(b) Infrastructure - Playground Equipment</b>		
Opening balance	0	0
Revaluation Increment	50,909	0
Revaluation Decrement	0	0
	<u>50,909</u>	<u>0</u>
<b>(c) Infrastructure - Other</b>		
Opening balance	0	0
Revaluation Increment	981,992	0
Revaluation Decrement	0	0
	<u>981,992</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>5,462,076</u></u>	<u><u>0</u></u>

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

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

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>2,446,769</u>	<u>2,652,004</u>	<u>4,285,842</u>

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

Net Result	(280,939)	(291,531)	767,853
Depreciation	2,529,417	2,543,384	2,537,046
(Profit)/Loss on Sale of Asset	131,256	(6,623)	31,705
(Increase)/Decrease in Receivables	(5,424)	229,663	18,017
(Increase)/Decrease in Inventories	(3,283)	30,595	9,887
Increase/(Decrease) in Payables	(371,948)	(50,957)	634,420
Increase/(Decrease) in Employee Provisions	1,762	(183,797)	35,930
Grants/Contributions for the Development of Assets	(2,514,244)	(2,576,401)	(2,047,729)
Fair value adjustments to financial assets at fair value through profit or loss	0	0	302,186
Non-Current Assets recognised due to changes in legislative requirements	0	0	(372,057)
Net Cash from Operating Activities	<u>(513,403)</u>	<u>(305,667)</u>	<u>1,917,258</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	20,000	35,000
Credit Card Balance at Balance Date	(274)	(300)
<b>Total Amount of Credit Unused</b>	<u>19,726</u>	<u>34,700</u>

**Loan Facilities**

Loan Facilities - Current	122,742	115,404
Loan Facilities - Non-Current	321,688	444,430
<b>Total Facilities in Use at Balance Date</b>	<u>444,430</u>	<u>559,834</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>0</u>	<u>0</u>
---	----------	----------

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

**14. CONTINGENT LIABILITIES**

The Shire of Mt Marshall is unaware of any issues that may result in the recognition of a contingent liability.

**15. CAPITAL AND LEASING COMMITMENTS**

**(a) Finance Lease Commitments**

The Shire had no finance leasing commitments as at 30 June 2013.

**(b) Operating Lease Commitments**

The Shire had no operating leasing commitments as at 30 June 2013.

**(c) Capital Expenditure Commitments**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Contracted for:		
- capital expenditure projects	0	193,320
Payable:		
- not later than one year	0	193,320

The capital expenditure project outstanding at the end of the previous reporting period represents the construction of the Administration Office Upgrades.

**16. JOINT VENTURE**

The Shire of Mt Marshall participates in the following two joint ventures:

1. NEWHealth joint venture which employs an Environmental Health/ Building Surveyor to provide regulatory health and building assessment services to the member shires.
2. WA GP Network which employs a General Practitioner to provide medical consultation and accident and emergency services to the member shires.

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

Governance	630,045	422,042
General Purpose Funding	86,170	79,511
Law, Order, Public Safety	474,395	290,627
Health	103,410	78,664
Education and Welfare	1,310,000	641,838
Housing	1,958,732	2,101,197
Community Amenities	1,269,441	913,886
Recreation and Culture	8,152,430	3,673,127
Transport	68,751,105	68,386,278
Economic Services	1,089,581	884,044
Other Property and Services	2,018,424	1,693,202
Unallocated	646,808	2,630,578
	<u>86,490,541</u>	<u>81,794,994</u>

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

<b>18. FINANCIAL RATIOS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current Ratio	1.06	2.66	5.96
Asset Sustainability Ratio	0.82	0.74	0.74
Debt Service Cover Ratio	(1.59)	8.25	8.24
Operating Surplus Ratio	(1.72)	(0.75)	(0.74)
Own Source Revenue Coverage Ratio	0.29	0.31	0.29

The above ratios are calculated as follows:

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

**Notes:**

Information relating to the **Asset Consumption Ratio** and **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 62 of this document.

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

- The initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$372,057 (refer Notes 1(g) and 2(a)(ii) for further details). This forms part of operating revenue.

- The significant expense relating to the reduction in the fair value of the Shire's plant and equipment amounting to \$302,186 (refer to Notes 1(g) and 2(a)(i) for further details). This forms part of operating expenses.

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

	<b>2013</b>
Debt Service Cover Ratio	7.81
Operating Surplus Ratio	(0.79)
Own Source Revenue Coverage Ratio	0.32

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

**19. TRUST FUNDS**

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

	<b>Balance 1-Jul-13</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>Balance 30-Jun-14</b>
	<b>\$</b>	<b>\$</b>	<b>(\$)</b>	<b>\$</b>
Police Licensing	2,913	254,161	(252,012)	5,062
Aged Care Beautification	829	0	0	829
Unclaimed Monies	159	0	0	159
Tree Planting Nursery	1,000	0	0	1,000
Sundry Creditors	745	0	0	745
Housing Bonds	9,040	2,040	(2,580)	8,500
Deposit On Land	1,000	500	0	1,500
Mt Marshall Landcare	10,454	0	0	10,454
Emergency Services Levy	3,062	0	0	3,062
Building Levy	284	257	0	541
<b>Trust Balance</b>	<b>29,486</b>	<b>256,958</b>	<b>(254,592)</b>	<b>31,852</b>

**19(a) NEWROC**

The North Eastern Wheatbelt Regional Organisation of Councils (NEWROC) is made up of the Shires of Wyalkatchem, Trayning, Mukinbudin, Koorda, Nungarin and Mt Marshall. Following is a summary of the NEWROC funds and Investment bank accounts. NEWROC funds were held in Trust by the Shire of Mt Marshall.

	<b>Balance 01-Jul-13</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>Balance 30-Jun-14</b>
	<b>\$</b>	<b>\$</b>	<b>(\$)</b>	<b>\$</b>
NEWROC Funds Bank	0	766,756	(752,425)	14,331
NEWROC Funds Investment Bank Account	0	300,000	0	300,000
<b>Total</b>	<b>0</b>	<b>1,066,756</b>	<b>(752,425)</b>	<b>314,331</b>

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

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

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Governance</b>						
CEO Vehicle x 3	36,236	122,499	31,273	119,000	(4,963)	(3,499)
NAT Locall House	420	0		0	(420)	0
<b>Community Amenities</b>						
NRMO Utility	0	28,274	0	25,000	0	(3,274)
Effluent Lagoon	158	0	0	0	(158)	0
<b>Recreation &amp; Culture</b>						
Beacon Gun Club	4,047	0	0	0	(4,047)	0
Bencubbin Rifle Range Electronic Targets	9,818	0	0	0	(9,818)	0
Datjoin Well	4,950	0	0	0	(4,950)	0
Wialki Tennis Courts	5,913	0	0	0	(5,913)	0
<b>Transport</b>						
Work Supervisor Utility	14,278	36,652	14,000	25,000	(278)	(11,652)
Utility - Crew Cab	0	17,642	0	10,000	0	(7,642)
Utility - Gardener	0	16,017	0	10,000	0	(6,017)
Utility - Gardener	7,233	8,352	8,454	10,000	1,221	1,648
Grader	108,893	142,942	102,000	180,000	(6,893)	37,058
Septic Truck	2,273	0	1,600	0	(673)	0
Gravel Stockpile Site - Bencubbin	1,905	0		0	(1,905)	0
Screening Plant Site - Lot 273	677	0		0	(677)	0
Kununoppin Airstrip Lights	480	0		0	(480)	0
<b>Economic Services</b>						
Cleary Rocks Tank	1,818	0	0	0	(1,818)	0
Water Extension - Rowlands St Beacon	5,346	0	0	0	(5,346)	0
Fuel Depot Headworks	84,138	0	0	0	(84,138)	0
	<b>288,583</b>	<b>372,378</b>	<b>157,327</b>	<b>379,000</b>	<b>(131,256)</b>	<b>6,622</b>



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

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-13 \$	New Loans		Principal Repayments		Principal 30-Jun-14		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>General Purpose Funding</b>									
119 Benny Mart *	57,645	0	0	8,769	8,769	48,876	48,876	2,941	2,941
<b>Housing</b>									
111 House 229 Murray St	31,087	0	0	14,953	14,954	16,134	16,133	1,692	2,122
115 Housing Upgrade	90,517	0	0	28,462	28,462	62,055	62,055	4,170	4,852
118 Staff Housing	305,818	0	0	43,427	43,426	262,391	262,391	18,420	18,534
<b>Economic Services</b>									
117 Accomodation Units	74,767	0	0	19,793	19,793	54,974	54,974	3,763	4,235
	559,834	0	0	115,404	115,404	444,430	444,429	30,986	32,684

(\*) Self supporting loan financed by payments from third parties.  
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2013/14

There were no new debentures for the 2013/14 financial year.

(c) Unspent Debentures

There were no unspent debentures for the 2013/14 financial year.

(d) Overdraft

The Shire does not have an overdraft facility.

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

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

(a) Rates

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential General Rate</b>											
GRV	0.1023	131	797,909	81,610	606	0	82,216	81,610	0	0	81,610
UV (Rural & Mining)	0.0175	315	60,790,616	1,065,173	(500)	0	1,064,673	1,065,173	0	0	1,065,173
<b>Sub-Totals</b>		446	61,588,525	1,146,783	106	0	1,146,889	1,146,783	0	0	1,146,783
<b>Minimum Rates</b>	<b>Minimum \$</b>										
GRV	320	39	40,948	12,480	0	0	12,480	12,480	0	0	12,480
UV (Rural & Mining)	320	32	197,954	10,240	0	0	10,240	10,240	0	0	10,240
<b>Sub-Totals</b>		71	238,902	22,720	0	0	22,720	22,720	0	0	22,720
Ex Gratia Rates							1,169,609				1,169,503
Discounts (refer note 25)							12,013				12,312
Movement in Excess Rates							(70,809)				(85,000)
Rates Written Off							(23,039)				0
<b>Total Amount Raised from General Rate</b>							0				(1,200)
							<b>1,087,774</b>				<b>1,095,615</b>
Specified Area Rate (refer note 23)							7,677				7,713
<b>Total Rates</b>							<b>1,095,451</b>				<b>1,103,328</b>

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

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

(b) Information on Surplus/(Deficit) Brought Forward	<b>2014</b> <b>(30 June 2014</b> <b>Carried</b> <b>Forward)</b> <b>\$</b>	<b>2014</b> <b>(1 July 2013</b> <b>Brought</b> <b>Forward)</b> <b>\$</b>	<b>2013</b> <b>(30 June 2013</b> <b>Carried</b> <b>Forward)</b> <b>\$</b>
<b>Surplus/(Deficit) - Rate Setting Statement</b>	<u>477,345</u>	<u>2,171,559</u>	<u>2,171,559</u>
<b>Comprises:</b>			
Cash and Cash Equivalents			
Unrestricted	328,813	2,298,756	2,298,756
Restricted	2,117,956	1,987,086	1,987,086
Receivables			
Rates Outstanding	86,170	79,511	79,511
Sundry Debtors	217,333	175,691	175,691
Provision for Doubtful Debts	(51,895)	(23,784)	(23,784)
Accrued Income	2,664	2,200	2,200
GST Receivable	39,648	71,356	71,356
Loans - Medical Practice	23,410	6,932	6,932
Inventories			
Inventory - Fuel and Materials	12,006	8,723	8,723
<b>Less:</b>			
Trade and Other Payables			
Sundry Creditors	(328,590)	(719,715)	(719,715)
PAYG Payable	(20,293)	(18,371)	(18,371)
FBT Liability	(3,698)	(4,479)	(4,479)
Income Received in Advance	(5,232)	0	0
Accrued Expense	0	0	0
Accrued Interest on Debentures	(3,445)	(5,143)	(5,143)
Accrued Salaries and Wages	(23,426)	(8,924)	(8,924)
Current Portion of Long Term Borrowings			
Current Loan Liability	(122,742)	(115,404)	(115,404)
Provisions			
Provision for Annual Leave	(108,487)	(104,173)	(104,173)
Provision for Long Service Leave	(126,234)	(119,453)	(119,453)
<b>Net Current Assets</b>	<u><b>2,033,958</b></u>	<u><b>3,510,809</b></u>	<u><b>3,510,809</b></u>
Less:			
Reserves - Restricted Cash	(1,790,000)	(1,561,413)	(1,561,413)
Add Back : Component of Leave Liability not Required to be Funded	110,645	106,759	106,759
Add Back : Current Loan Liability	122,742	115,404	115,404
<b>Surplus/(Deficit)</b>	<u><u><b>477,345</b></u></u>	<u><u><b>2,171,559</b></u></u>	<u><u><b>2,171,559</b></u></u>

**Difference:**

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

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

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

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Beacon RTC Building</b>							
- Rate	0.4215	GRV	273,234	1,152	1,183	1,183	1,183
- Rate	0.0202	UV	32,303,729	6,525	6,530	6,530	6,530
				7,677	7,713	7,713	7,713

A specified area rate for the Beacon Progress Association Rural Transaction Centre commenced in 2003/04. The amount levied each year is forwarded to the Beacon Progress Association for the maintenance of the Rural Transaction Centre. It is anticipated that this specified area rate will be levied on an ongoing basis.

The proceeds of the rate are applied in full to the costs of the loan and no transfer to or from reserve accounts has occurred.

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

No service charges were imposed by the Shire of Mt Marshall for the 2013/14 financial year.

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Discount on Early Payment of Rates Rates Write Off	Discount Write Off	7.50%	70,809	85,000
			0	1,200
			70,809	86,200

A discount on rates is granted to all who pay their rates in full within 21 days of the date of service appearing on the rate notice.

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

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

	<b>Interest Rate %</b>	<b>Admin. Charge \$</b>	<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Non Payment Penalty	11	N/A	7,172	7,000
Interest on Instalments Plan	5.5	N/A	0	0
Interest on ESL	11	N/A	171	0
Charges on Instalment Plan	N/A	N/A	0	0
			<u>7,343</u>	<u>7,000</u>

Ratepayers had the option of paying rates in four equal instalments, due on 11th September 2013, 6th November 2013, 8th January 2014 and 5th March 2014. Administration charges and interest do not apply to the final three instalments.

<b>27. FEES &amp; CHARGES</b>	<b>2014 \$</b>	<b>2013 \$</b>
Governance	959	999
General Purpose Funding	0	930
Law, Order, Public Safety	1,864	865
Health	0	156
Education and Welfare	15,600	15,600
Housing	97,870	94,826
Community Amenities	61,684	60,995
Recreation and Culture	8,470	11,436
Transport	9,332	10,174
Economic Services	70,570	96,746
Other Property and Services	12,543	6,662
	<u>278,892</u>	<u>299,389</u>

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

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

**28. GRANT REVENUE**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	1,178,424	2,238,507
Non-Operating Grants, Subsidies and Contributions	<u>2,514,244</u>	<u>2,047,729</u>
	<u><u>3,692,668</u></u>	<u><u>4,286,236</u></u>
<b>By Program:</b>		
Governance	836	35,000
General Purpose Funding	2,249,277	2,565,370
Law, Order, Public Safety	26,080	22,535
Education and Welfare	36,957	50,720
Community Amenities	28,607	16,428
Recreation and Culture	145,585	26,030
Transport	1,205,326	1,310,153
Economic Services	0	260,000
	<u>3,692,668</u>	<u>4,286,236</u>

**29. ELECTED MEMBERS REMUNERATION**

<b>2014</b>	<b>2014</b>	<b>2013</b>
<b>\$</b>	<b>Budget</b>	<b>\$</b>
	<b>\$</b>	

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

Meeting Fees	30,161	31,000	25,566
President's Allowance	5,000	5,100	5,000
Deputy President's Allowance	1,159	1,275	1,273
Travelling Expenses	4,534	6,000	4,364
Telecommunications Allowance	8,160	6,160	4,830
	<u>49,014</u>	<u>49,535</u>	<u>41,033</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<b>2014</b>	<b>2013</b>
<u>26</u>	<u>27</u>

**31. MAJOR LAND TRANSACTIONS**

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

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

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

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

**33. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>Financial Assets</b>				
Cash and cash equivalents	2,446,769	4,285,842	2,446,769	4,285,842
Receivables	366,206	369,551	366,206	369,551
	<u>2,812,975</u>	<u>4,655,393</u>	<u>2,812,975</u>	<u>4,655,393</u>
<b>Financial Liabilities</b>				
Payables	384,684	756,632	384,684	756,632
Borrowings	444,430	559,834	431,208	537,623
	<u>829,114</u>	<u>1,316,466</u>	<u>815,892</u>	<u>1,294,255</u>

Fair value is determined as follows:

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

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

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

**(a) Cash and Cash Equivalents**

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

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

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

Council manages these risks by investing its funds with recognised Australian Banking Corporations.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% (*) movement in interest rates on cash and cash equivalents:		
- Equity	34,163	33,585
- Statement of Comprehensive Income	34,163	33,585

Notes:

(\*) Sensitivity percentages based on management's expectation of future possible market expectations.



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

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

**(b) Receivables**

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

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

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

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

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

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

	<b>2014</b>	<b>2013</b>
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	70.24%	71.87%
- Overdue	29.76%	28.13%

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

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

**(c) Payables  
Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2014</u></b>					
Payables	384,684	0	0	384,684	384,684
Borrowings	148,646	362,642	0	511,288	444,430
	<u>533,330</u>	<u>362,642</u>	<u>0</u>	<u>895,972</u>	<u>829,114</u>
<b><u>2013</u></b>					
Payables	756,632	0	0	756,632	756,632
Borrowings	148,646	440,245	71,043	659,934	559,834
	<u>905,278</u>	<u>440,245</u>	<u>71,043</u>	<u>1,416,566</u>	<u>1,316,466</u>

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

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

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

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

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

	<u>&lt;1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year Ended 30 June 2014</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	16,134	62,055	54,974	0	311,267	0	444,430	6.15%
Weighted Average Effective Interest Rate	7.74%	5.81%	6.06%		6.15%			
<b><u>Year Ended 30 June 2013</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	0	31,087	90,517	74,767	0	363,463	559,834	6.17%
Weighted Average Effective Interest Rate		7.74%	5.81%	6.06%		6.15%		

**INDEPENDENT AUDITOR'S REPORT  
TO THE ELECTORS OF THE SHIRE OF MOUNT MARSHALL**

**REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of the Shire of Mount Marshall, which comprises the statement of financial position as at 30 June 2014, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT**

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

**AUDITOR'S OPINION**

In our opinion, the financial report of the Shire of Mount Marshall is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a giving a true and fair view of the Shire's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year ended on that date; and
- b complying with Australian Accounting Standards (including Australian Accounting Interpretations).

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

During the course of the audit we became aware of the following instances where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended):

**Budget Review**

A copy of the budget review was not submitted to the Department within 30 days of its adoption as required by Local Government (Financial Management) Regulation 33A(4).

**Submission of Financial Report**

The Annual Financial Report for the year ended 30 June 2013 was not submitted to Department of Local Government within 30 days of the auditor's report becoming available as required by Local Government (Financial Management) Regulation 51 (2).

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 62 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Date: 2 February 2015  
Perth, WA

UHY HAINES NORTON  
CHARTERED ACCOUNTANTS



GREG GODWIN  
PARTNER

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

**RATIO INFORMATION**

The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Asset Consumption Ratio	<b>0.54</b>	<b>0.62</b>	<b>N/A</b>
Asset Renewal Funding Ratio	<b>1.02</b>	<b>0.93</b>	<b>N/A</b>

The above ratios are calculated as follows:

Asset Consumption Ratio  $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio  $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.**