

SHIRE OF VICTORIA PLAINS



ANNUAL REPORT

1 JULY 2015 TO 30 JUNE 2016

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A MESSAGE FROM THE PRESIDENT

Fellow residents, ratepayers and electors. Another year in the long life of Victoria Plains is complete and in many ways our community continues to reflect our motto "a space to grow".



Some activities we had grand hopes for, such as the Bolgart Blues Festival, did not achieve all of our dreams. Bolgart did get quite a bit of a spruce up to reflect Council's support for an event which we all hoped would really put Bolgart and Victoria Plains on the map.

Others such as the Mogumber Outback Clubs New Years Rodeo and several Junior rodeos, continue to provide involvement, participation and entertainment to many from far and wide. Council, in recognition of the ongoing use of the facilities at Mogumber, agreed to add new toilet and showers on the Mogumber hall.

Council continues to recognise the importance of sporting facilities in the Shire to provide for community involvement. An example during this last financial year was the new combined netball and tennis court at Calingiri, a great top class facility.

For those of our Seniors wanting to reside in our Shire, we are working to deliver more aged persons houses in Bolgart and Calingiri with the next goal being to put some in Yerecoin.

The constant need for maintenance of our road network has been complemented by major road upgrades in the Shire. Further sealing of Bolgart East Road (\$700,000) and upgrading of the Toodyay - Bindi Bindi Road (\$300,000) were highlights.

The long held goal of drought proofing the Shire with regard to emergency water supplies is taking a step forward with work on the Piawaning desalination plant, which should be completed by late 2016. Manning of the Calingiri and Bolgart rubbish tips will provide for longer and more efficient life of the tips and dongas for on-site staff have been installed.

Council and I thank all our staff for their hard work and professionalism, I also thank our Chief Executive Officer Harry Hawkins and Deputy Chief Executive Officer Ian Graham for their help and guidance. Special mention is made of the many years put in by Fiona Watson - sincere thanks.

All residents join me, I am sure, in expressing our heartfelt thanks to all the volunteers without whose unselfish actions our lives would be poorer and less safe.

Let us all continue to make Victoria Plains an exciting place to grow, work and play.

David Lovelock
Shire President



FROM THE CHIEF EXECUTIVE OFFICER



The 2015-2016 financial year has seen some senior staff changes with Fiona Watson leaving after 17 years in the Executive Assistant position and David Holland ex Bruce Rock coming in as the Works Manager after Greg Stephens left in 2015. Fiona has been replaced by Suzanne Mearns who has picked up the role very well although she does have previous local government experience to call on. David Holland has also fitted in well and hit the ground running with a lot of work programmed during the year and all that could be achieved was.

The Piawaning Water project is progressing slowly however now that all the approvals are in place it is expected that the desalination plant will be installed and operating by November 2016 in time for summer. The fresh water tanks are now being placed behind the tennis courts away from the planned old school site. I thank the people of Piawaning for their support of the project especially Hamish Purser who got right behind it from the start and helped greatly with his local knowledge.

In last year's report I pointed out that the community asked for some form of public transport and more aged persons units and I am happy to report this year that both of those issues are being addressed. Through the Wheatbelt Development Commission and in partnership with the Shire of Wongan Ballidu a bus service from Wongan Hills through Calingiri and Bolgart to Northam and return is currently being trialled. Council has also funded the purchase of a vehicle for access by aged residents needing transport to appointments. The vehicle will be driven by volunteers with a small charge levied on residents using the service. The Royalties for Regions funded aged housing project promising 2 units in each of Bolgart and Calingiri that has been sitting in limbo for 2 years waiting on the Shire of Toodyay is now going to go ahead after Victoria Plains and Goomalling decided to go to tender without Toodyay. Another funding application has been lodged for the building of more units in Calingiri and Bolgart along with 2 units for Yerecoin.

Road works continue to be a focus for Council with the Gillingarra Glentromie Wirrilda Road intersection realignment finally going ahead with the support of local business man Peter Mackie who provided land for the offset and other additional help. The widening of the narrow sections of Bolgart East Road was the major project this year as the focus has moved onto upgrades, repairs and maintenance rather than new construction.

The issue with the rodeo at the Mogumber Reserve is ongoing however it is hoped that common sense will prevail and that all sides can compromise and share the use of the reserve in harmony as said last year. Most locals support the Outback Club with the main opponents being a minority of locals supported by the Yued Working Party and Kerkhof Carnaby Group who are based in Moora.

I announced in June 2016 that I would not be renewing my contract with the Shire so this will be my last Annual Report so I would like to thank the people of Victoria Plains for their support and input over the last 11½ years that I have been CEO. I have made a lot of good friends in the Shire and enjoyed the 6 years that I lived in Calingiri.

I would once again conclude by thanking the Shire staff and Councillors for their help and support during the 2015-2016 year particularly Suzanne Mearns, Ian Graham, David Holland and Shire President David Lovelock.

Harry Hawkins
Chief Executive Officer



FINANCE AND ADMINISTRATION MANAGER'S REPORT



NET SURPLUS/DEFICIT CARRIED FORWARD

The 2015-16 financial year has resulted in a net surplus carried forward of \$290,100 against a budget net surplus carried forward of \$0.

Major Capital Projects carried over to 2016-17:-	
- 4 x Aged Persons Units net cost	\$938,456

OPERATING SURPLUS/DEFICIT

The 2015-16 actual operating deficit was (\$659,640), before Fair Value revaluations, against a budgeted operating surplus of \$1,062,995. This was due to an decrease in non-operating grants of \$909,985 (Royalties for Regions funding for the Aged persons Units carried-over to 2016-17), an increase in depreciation charged on fixed assets of \$920,342 (following "Fair Value" adjustments to Infrastructure Assets), offset by an increase in operating revenue (operating grants +\$103,109, interest income +\$53,936 and other revenue +\$203,080).

Total Comprehensive Income was (\$252,780) after allowing for a revaluation increment of \$406,860 (refer below) resulting from "Fair Value" revaluations on fixed assets.

FAIR VALUE

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. Fair value is to be introduced in a staged process, as follows:

- Year-ended 30th June 2013: Plant & Equipment
- Year-ended 30th June 2014: Land & Buildings OR Infrastructure
- Year-ended 30th June 2015: Land & Buildings OR Infrastructure and all others.
- Each asset class is to be re-valued every 3 years following the initial re-valuation.

"Fair Value" valuations were applied to the following classes of assets as at 30th June 2016 as follows:

Asset Class	Book Value 30/6/16	Fair Value 30/6/16	Gain/(Loss)
Furniture & Equipment	\$159,562	\$187,461	\$27,899
Plant & Equipment	\$1,329,828	\$1,592,384	\$262,556
Motor Vehicles	\$1,698,746	\$1,815,151	\$116,405
TOTAL:	\$3,188,316	\$3,594,996	\$406,860

BORROWINGS

As at 30th June 2016, the total principal owing was \$411,304. There were no new borrowings during the 2015-16 financial year. Debt principal repaid during the year was \$55,949.

INTEREST

Interest revenue for the financial year 2015-16 amounted to \$98,236 against a budget of \$44,300. This was due to an accrual of \$29,026 interest income on invested Royalties for Regions funds(held in Trust by the Shire of Toodyay) and an increase in other interest income of \$24,910.

Of the other interest income, \$26,090 (budget \$17,750) resulted from short term investments on Reserve funds and \$23,090 (budget \$15,000) from Municipal funds.

Interest expense on borrowings for the year amounted to \$19,707 (2014-15 \$25,713).

RATES

Income from rates amounted to \$2,247,116 (Budget \$2,244,261, 2014-15 \$2,158,419), including ex-gratia rates of \$63,076 (2014-15 \$60,420).

An early payment incentive cash prize draw of 4 x \$500 was again available to all ratepayers who made full payment of rates (including all arrears and current charges) by the due date.

ROADS

Total road grants income received for the financial year amounted to \$1,392,522 (2014-15 \$1,207,053) as follows:

• WA State Government Regional Road Grants (Projects)	\$558,626
• WA State Government Direct Road Grant	\$112,700
• Roads to Recovery Funding	\$701,196
• Federal Assistance Grants 2015-16 (Roads)	\$235,714

Total road expenditure was \$2,620,608 (2014-15 \$1,853,141) as follows:

- Road Construction: \$1,658,002 (2015-16 Budget \$1,964,303)
- Road Maintenance: \$962,606 (2015-16 Budget \$960,689)

The major road construction works were:-

- Roads to Recovery Program – Bolgart East Road
- Regional Road Group (State) and Shire funded:-
 - New Norcia-Gillingarra Road
 - Toodyay-Bindi Bindi Road
 - Carani Road West
 - Gillingarra-Glentromie Road
 - Mogumber Road West
 - Goomalling-Calingiri Road
 - Wirrilda Road.

OTHER INFRASTRUCTURE

A new toilet block was installed at the Mogumber Hall and a netball/tennis court was constructed at the Calingiri Football Oval. The Piawaning water supply project was commenced and transportable buildings were purchased for the Calingiri and Bolgart refuse sites.

MAJOR PLANT

There were no items of major plant purchased during the 2015-16 financial year.

CASH BACKED RESERVES

As at 30th June 2016, the cash-backed Reserves balance was \$914,722 (2014-15 \$899,263), against an original budgeted closing balance of \$1,121,322. An amount of \$344,872 was budgeted to be transferred to the Infrastructure Reserve, however this was reduced to \$124,000.

RESERVES			
	2015-16 ACTUAL	2015-16 BUDGET	2014-15 ACTUAL
Opening Balance	\$899,263	\$899,263	\$1,163,188
Transfers	\$15,459	\$222,059	(\$263,925)
Closing Balance	\$914,722	\$1,121,322	\$899,263

FINANCIAL RATIOS

Financial Ratios are designed to provide users of financial information with a clear picture of the performance and results of the organisation. A recent amendment to the Local Government (Financial Management) Regulations has resulted in a change to the ratios that are used by Local Governments in Western Australia, effective from the 2012/2013 financial year.

The six ratios are:

- Asset Consumption Ratio
- Asset Renewal Funding Ratio
- Asset Sustainability Ratio
- Debt Service Cover Ratio
- Operating Surplus Ratio
- Own Source Revenue Coverage Ratio

(Note: actual ratios are disclosed in the Annual Financial Report).

ADMINISTRATION

Information Technology:-

A new CCTV system was purchased for the Administration office and Calingiri Recreation Hall.

CONCLUSION

My thanks go to the team in Finance and Administration and to all other Shire staff for their support and the work they have done and in maintaining a very high standard for the year. My thanks also go to the Councillors for their support during the year and I look forward to a productive and successful 2016-17.

Ian Graham

Deputy CEO / Finance and Administration Manager



FROM THE WORKS AND SERVICES DEPARTMENT

The Works and Services section undertakes capital construction, major maintenance works, and the routine maintenance of hard infrastructure within the Shire.

To undertake these required activities a portion of funding is derived from external grant funds being various Federal and State Government agencies and from other Shire income streams.

Granted Revenue

External funding is the major income stream for capital works and major maintenance of the Shires assets. In the 2015/2016 financial year external Federal or State Government grants funded to the Shire of Victoria Plains were from:

- Wheatbelt North Regional Road Group (RRG) - funding administered by the Main Roads Western Australia (MRWA)
- Main Roads Western Australia (MRWA) Direct Grants for roads
- Department of Infrastructure, Transport, Regional Development and Local Government (Australian Government) Roads to Recovery funding program
- Council and Direct Road Funding

Works and Service Functions

Major capital construction projects undertaken in the 2015/2016 financial year were:

Shire Funded Projects

- Completion of shoulder widening on Gillingarra-New Norcia Rd
- Town storm water drainage Edmonds Street
- Town storm water drainage, on Bolgart East and Smith Streets - design works and completion

Roads to Recovery Project

- Widening of 9km on Bolgart East Rd.

Regional Roads Group Funding

- Design works and start on Gillingarra-Glentromie Rd- Wirrilda Rd intersection
- Heavy road patching on Goomalling-Calingiri-Corondine intersection
- Shoulder widening to curves on Toodyay Bindi-Bindi Rd in various locations including some minor road repairs
- The completion of widening and sealing of Carani West Rd to Hay Australia
- Re-sealing works on Wirrilda Rd and Gillingarra-Glentromie Rd
- Completion of a small section of Mogumber West Rd widening curves at s-bend to rail crossing

Community Water Supply Funding

- Consultation and commitment in the purchase and installation of a desalination plant of a community farmland emergency water supply in Piawaning.

Aged Friendly Community Funding

- Foot Path construction on Yulgering Rd from Lambert Cres to Cavell Street (Calingiri)

Works and Services

Works and Services include the following areas of responsibility:

STRATEGIC

Administration

- Council policy
- Council agenda items
- Strategic Planning
- Funding applications
- Road works programs
- Purchasing and procurement
- Budget preparation and management
- Tender preparation and administration
- R2R (Roads to Recovery) funding management and acquittal
- RRG (Regional Road Group) funding management and acquittal
- Project management and funding acquittal
- Compliance with appropriate legislation associated with provided services

OPERATIONS

Works

Construction and maintenance of roads, footpaths, and drainage throughout the Shire. Maintenance grading of Shire roads is ongoing and an important part of the works that are done within the Shire. There are 555.16 kilometres of unsealed roads in the Shire. The Shire of Victoria Plains owns two caterpillar 120M graders and maintains the unsealed road network as well as being involved in capital works. The expectation is to achieve two to three grades over the network per year and this financial year we put approximately 300 kilometres of road grading out to tender. This was a fixed price tender for three grades for the year and this has proved to be successful and the contract was extended into the 2015/2016 financial year.

The complete Shire of Victoria Plains gravel road network is divided into three specified areas:

Area 1 = 150 km: Parts of the Southern/ Central and Northern area - Contract

Area 2 = 255 km: Central/Northern area - maintenance grading being completed in house

Area 3 = 150 km: Western and parts of the Northern Area, Contract

Parks and Gardens

Construction and maintenance of the Shires sporting fields, passive parkland areas, road verges, streetscapes and street trees.

Plant

The Shire purchased/replaced the following items in this reporting period:

- Purchase: Various Light Plant
- Purchase and replace: two utes for the building department and works department

Waste Management

Waste management is a core function of the Shire. It encompasses activities and services related to the collection and disposal of waste, along with waste minimisation and recycling initiatives.

The Shire of Victoria Plains strives to manage waste in an environmentally responsible and sustainable manner to protect the natural environment and public health.

Drum Muster

The Shire again participated in the “Drum Muster Program”. This nationwide program provides for the collection and disposal of used farm chemical containers.

Kerbside Collection

A weekly kerbside waste collection service operates in the town sites of Yerecoin, Calingiri and Bolgart.

Development of the ROMAN Road Modelling System

The Shire of Victoria Plains maintains a strategic focus in respect to the development and maintenance of road infrastructure assets. Through the use of the “ROMAN II” System, the Shire maintains inventory of the condition of the road network. This inventory ensures that future road programmes are formulated on an objective basis taking into account deterioration factors affecting the respective roads.

The ROMAN System has highlighted the need for a higher level of expenditure on road maintenance and preservation. The Shires current and future budgets will reflect the higher priority needed to maintain existing road and bridge infrastructure.

Shire officers are continually collecting traffic counts and classification data to support the deterioration modelling which assists the preparation of the Shires ten year works and maintenance programmes.

ROMAN road data is utilised to maintain an asset value of the road network and replacement cost. Data gathered is also used by the LGGC (Local Government Grants Commission) to calculate funds allocated to the Shire from the LGGC.

Ranger Service

As part of the Works department we have an officer who carries out ranger services. We provide regular patrols of all towns within the shire and are responsible for stock control, animal welfare, responsible dog ownership, cat control, litter/illegal dumping control.

Customer Works Request

Council aims to be responsive to ratepayer’s requests for minor improvements and fault rectification. Requests vary dramatically and can be minor in nature from sweeping a path or an emergency with fallen trees to major road works/drainage which needs future budget funding.

Unresolved issues are monitored until a satisfactory resolution has been reached.

Staff

Works and Services employ a total of eleven staff and at times casual staff that operate from the Shire depot with the Works and Services Manager. All depot staff are located on the corner of Edmonds Street and Cavell Street, Calingiri.

Staff undertake a multitude of duties and as such are skilled in many areas relating to the maintenance and construction of public infrastructure from roads to gardens.

Summary

The works department has achieved a great deal this year in some trying times. We have now been able to, with the inclusion of a second contractor, achieve a better output with our maintenance program, and being able to complete sections of shoulder grading on some of our major routes, such as the lime sands route.

As Works and Services Manager for a diverse section of activities undertaken within the Shire of Victoria Plains, I believe that the Shire and its residents are well served by their employees, many of whom go to great lengths to provide services to the public in their role as a Shire employee.

I would also like to express my thanks to all team members within the works and services department as well as all the administration staff for their high professional standards and output efforts during the 2015/2016 year.

David Holland
Works and Services Manager



FROM THE SHARED RESOURCES DESK

Health

Prior to the introduction of the new Health Act 2016, in October 2016, the environmental health department had 22 redundancies which has left them seriously understaffed.

The new Health Act is being implemented in 5 stages over 3 – 5 years with stage 3 commencing in January 2017.

This 3 -5 year transition period is quite confusing as the practitioner is unsure whether a section of the old Act is still operative or has it been taken over by the new Act.

All food premises have been inspected and all are compliant to the provisions of the Food Act.

Annual reports to the Dept. of Health, Dept. of Environmental Regulation and the Waste Audit were completed on time.

Council's waste water service was audited in February at a cost of around \$12,000 and was scheduled to be done again in 2 years' time as ordered by the Economic Regulation Authority.

The cost of this Compliance and Performance Audit has be steadily rising and is a huge impose on Council which only has 111 customers needing the effluent disposal system.

Representations were made to the Minister for Water the Hon. Mia Davies and with a number of consultation meetings, the result has been very pleasing that 17 out of 21 Councils have been a 5 year exemption for auditing and now only have to supply an annual report to the Dept. of Water.

At the end of 5 years, Councils exemption will be reviewed and if Councils run their systems without mishap, it is likely to be extended for another 5 years. A great outcome!!

Building

Building activity in the Shire is similar to that of the previous 12 months with the costs rising not only for materials but experienced builders and tradies are hard to find in country areas.

There have not been any issues with the processing of building permits. They are now registered online to the Building Commission which acts as a report for them.

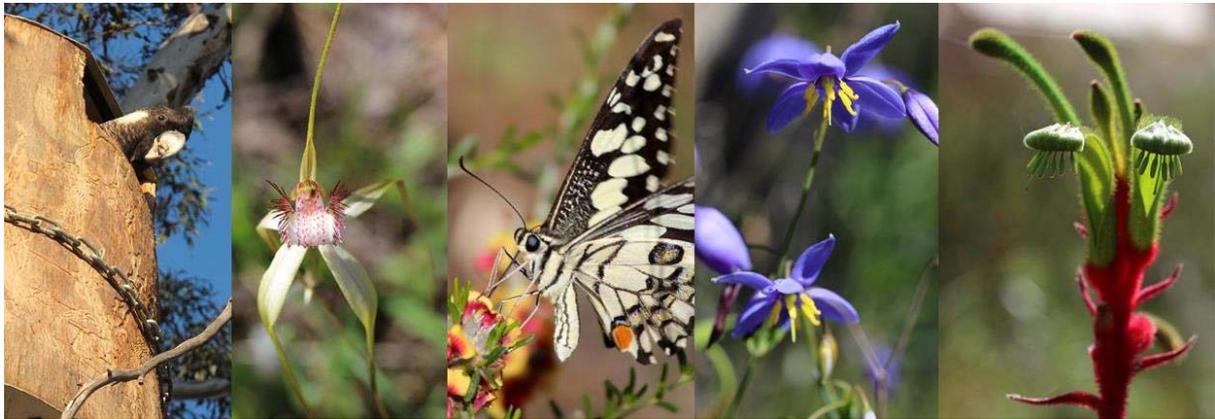
The Australian Bureau of Statistics, WorkSafe and some other government entities also have access to that data base, which eliminates Council having to report to them individually as we have been doing.

The Building Commission have been issuing Building Notes about issues they come across with the building trades and this gives guidance to building surveyors.

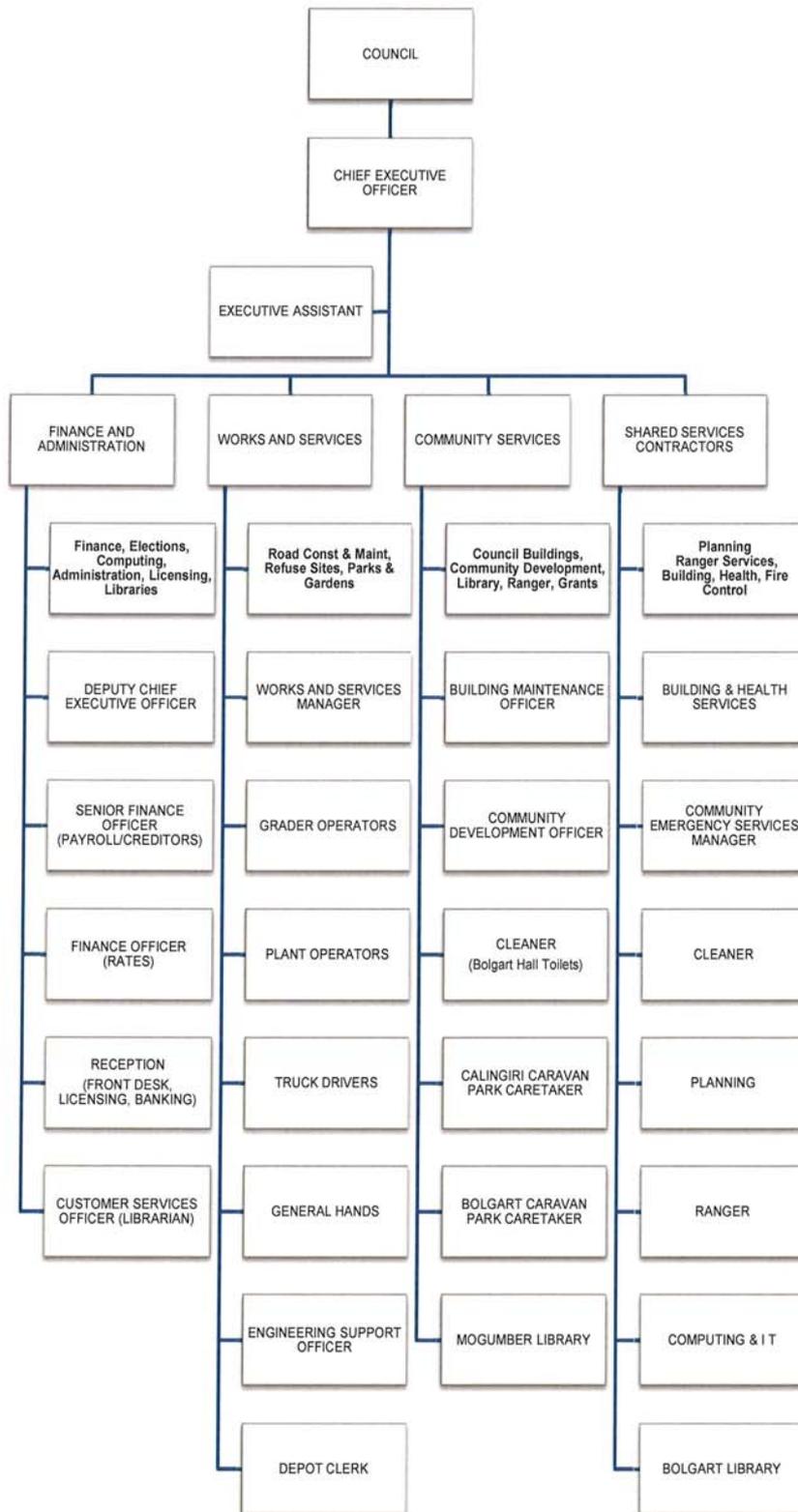
Many of these notes are to further the education of building surveyors, builders and plumbers.

The Building Commission which is currently conducting the 5 year review of the Building Act 2011, have indicated that there will be mandatory inspections of constructions in the future but what they are, has not been decided.

Linton Thomas
Principal Environmental Health Officer



SHIRE OF VICTORIA PLAINS – SERVICE STRUCTURE



NATIONAL COMPETITION POLICY

The competitive advantages of the various levels of government have received a great deal of attention over the past few years. The Federal and all State Governments have now signed a Competition Principles agreement, which is binding on Local Government.

The agreement requires Councils carry out a number of procedures on the matter in each year's Annual Report. The three areas that affect Local Government are –

Competitive Neutrality – to remove benefits (and costs) which accrue to Government business as a result of their public ownership

Structural Reform – Local Government is required to reform the structure of publicly owned monopoly businesses where it is proposed to introduce competition

Legislation Review – To review legislation that restricts competition

The full requirements of the package are contained in a statement issued by the Department of Local Government.

Competitive Neutrality

There are several tests to apply that assist in determining if there is a “significant business enterprise”.

Does the activity receive revenue (income from external sources) that exceeds \$200,000 per annum? (In coming to this amount the Shire is advised to disregard grant income, internal charges and statutory fees).

Would the benefits to be realised from the implementation of competitive neutrality exceed the costs?

From an examination of the revenue statement for the Shire of Victoria Plains for the preceding period, there is no activity that satisfies this part of the test, and accordingly, the principles of competitive neutrality do not apply to any Shire activities.

Structural Reform

In this area, the Shire has no monopoly activities. What is basic to the function of restricting public monopolies is the splitting or division of the regulatory role from the service provision role.

To address the question of monopoly, the following test has been applied to each activity:

1 Definition

In regards to this service, does the Shire have “exclusive or near exclusive control of the market supply of this service?”

2 Dual Function

Does the Shire have both a regulatory and supply function in this area of activity?

3 Willing Competitors

If the Shire tendered for the supply of this service in the open market, it is likely that there would be a supplier willing to perform this service?

The Shire does have a regulatory/service provision role in any of the following services:

Parks and Gardens, Roads, Recreation Services, Cemetery

When reviewed, these functions appeared to have substance to the sole provider argument, however, it is considered that it is unlikely that there would be willing local competitors. On balance, therefore, it was concluded that a monopoly does not exist.

Legislation Review

The Council has portfolio of local laws (previously know as by-laws), which may or may not conflict with the Competition Principles Agreement. These local laws will require review to ensure compliance with the reporting requirements.

As a result of the review, a report will be provides which will provide the following information regarding the existing local laws -

- Statement of objective to be specified for each local law
- Statement of possible restrictions that may result as a consequence of the application of the local law
- Statement of likely affects of the restriction of competition
- Statement of costs and benefits of the restrictions
- Statement of proposals for alternatives

In conducting the review, in particular concerning provisions of services, the Shire will consider the effect of local laws with regard to how they -

- Regulate the entry and exit of participants in various markets
- Control pricing or production levels
- Regulate pricing and production levels
- Regulate the price of goods or services used in various production processes
- Regulate the quality, amount or location of goods and service delivery
- Regulate advertising and promotional activities
- Confer benefits on particular classes of competitors
- Allow only one entity to supply a good or service
- Require producers of goods or services to sell to a single entity
- Limit the output of an entity
- Limit the number of person that can be engaged in an occupation or activity

It is necessary all local laws (by-laws) be reviewed, and this process has commenced. Local Laws already reviewed are - Standing Orders, Calingiri Cemetery, Fire Control, and Health Local Laws.



FREEDOM OF INFORMATION STATEMENT

General Statement

The Shire of Victoria Plains complies with the Freedom of *Information Act 1992*. It publishes an updated FOI information statement annually and makes it available to the public for inspection or purchase in hard copy at the Shire's administration centre. It is also available on the Shire of Victoria Plains website. During the reporting period, the Shire of Victoria Plains did not receive any FOI requests.

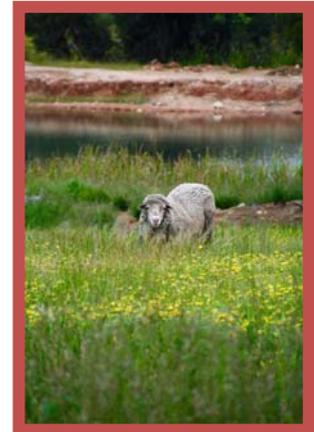
DISABILITY ACCESS PLAN

The Disability Services Act requires council to maintain a Disability Services Plan to ensure that accessibility to Shire facilities and services for the disabled are regularly reviewed.

A Disability Access Audit report was carried out by E-QUAL Disability Consultants in May 2007 and the finalised Disability Access and Inclusion Plan (DAIP) was lodged with the Disability Services Commission in September 2007.

Access to facilities and services for the disabled include but are not limited to:-

- Wheel chair access
- Access for people with ambulatory difficulties
- Access for people with learning difficulties
- Access for people with sensory deficit



RECORDS MANAGEMENT

This year saw an update of Record's Management under the Shire of Victoria Plains Recordkeeping Plan. The Plan is a statutory obligation under the State Records Act 2000. It details how the Shire manages its record keeping system.

The plan includes control, retention and disposal of the Shire of Victoria Plains public records. The Record Keeping Plan was endorsed by the State Records Commission and the current plan was updated in September 2014.

Under the Plan the Shire of Victoria Plains maintains recordkeeping training and staff induction programs to ensure that Shire employees are informed of their responsibilities in regard to recordkeeping.

REGISTER OF COMPLAINTS

There were no entries made in the complaints register under Section 5.121 of the Local Government Act 1995 during the 2015-16 Financial Year.

INFORMATION ON PAYMENTS TO EMPLOYEES

For the purposes of Section 5.53(2) (g) the Annual Report of a Local Government or a financial year is to contain the following information:-

- (a) the number of employees of the Local Government entitled to an annual salary of \$100,000 or more;
- (b) the number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

During the 2015-16 financial year, the Shire of Victoria Plains had two (2) employees who received an annual salary of \$100,000 or more.

PLAN FOR THE FUTURE

The Shire of Victoria Plains Council has recognised the need to have a clear direction that will guide the Council decision making and officer priorities.

In addition, the Integrated Planning and Reporting Framework (IPRF) has been introduced by the Department of Local Government. All local governments in Western Australia were required to have adopted a Strategic Community Plan and a Corporate Business Plan by the 30th June 2013.

The Shire of Victoria Plains Strategic Community Plan and Corporate Business Plan were adopted by Council in June 2013 and reviewed in 2015.

Integrated Planning is supported by informing strategies including Asset Management, Long Term Financial Planning and Workforce Planning. The Asset Management Plan is supported by an Asset Management Policy and Asset Management Strategy.

The Strategic Community Plan, Corporate Business Plan, Asset Management Plan, Long Term Financial Plan and Workforce Plan are available at the Shire of Victoria Plains Administration centre or on the Shire of Victoria Plains website:- www.victoriaplains.wa.gov.au

REVIEW AND UPDATE OF STRATEGIC PLANS

The Shire of Victoria Plains will undertake reviews and updating of strategic planning documents as follows:

- Strategic Community Plan – a desktop review to be carried out every two years and full review every four years.
- Corporate Business Plan – to be reviewed annually following the completion of the previous year financial report and update of Long Term Financial Plan.
- Asset Management Plan – to be reviewed every two years.
- Long Term Financial Plan – to be reviewed annually following completion of the previous year financial reports.
- Workforce Plan – to be reviewed every two years.

Strategic planning documents will be presented to Council for consideration and adoption following completion of the review and updating process.

STRATEGIC PLANS - SIGNIFICANT VARIATIONS

FAIR VALUE

A major variation for the 2015-16 financial year was the re-valuation of Plant & Equipment, Motor Vehicles and Furniture & Equipment Assets under “Fair Value”, which resulted in a gain on revaluation of \$407k.

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. Fair Value is to be introduced in a staged process, as follows:

- Year-ended 30th June 2013: Plant & Equipment
- Year-ended 30th June 2014: Land & Buildings OR Infrastructure
- Year-ended 30th June 2015: Land & Buildings OR Infrastructure and all others.
- Each asset class is to be re-valued every 3 years following the initial re-valuation.

“Fair Value” valuations were applied to Infrastructure assets as at 30th June 2016 as follows:

Asset Class	Book Value 30/6/16	Fair Value 30/6/16	Gain/(Loss)
Furniture & Equipment	\$159,562	\$187,461	\$27,899
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Motor Vehicles	\$1,698,746	\$1,815,151	\$116,405
TOTAL:	\$3,188,316	\$3,594,996	\$406,860

SIGNIFICANT VARIATIONS TO STRATEGIC PLANS - BY PROGRAM

REVENUE	ITEM	BUDGET \$	ACTUAL \$	EXPLANATION
HOUSING	Insurance Claim	\$62,015	\$172,245	Insurance claim Shire house fire damaged +\$69k.
RECREATION & CULTURE	Netball Court	\$27,331	\$73,641	Grants and contributions to Calingiri netball court +\$46k.
OTHER PROPERTY & SERVICES	Insurance Claims	\$34,867	\$119,861	Workers Compensation and other insurance claims recovered +\$77k.
NON- OPERATING GRANTS	Royalties for Regions funding (4 x Aged Persons Units)	\$900,000	\$0	Construction did not commence as in the 2015-16 year. Project has been carried-over to 2016-17 year.

EXPENSES	ITEM	BUDGET \$	ACTUAL \$	EXPLANATION
GOVERNANCE	Various	\$352,758	\$421,380	Administration +\$77k (Legal Expenses).
RECREATION & CULTURE	Various	\$547,593	\$661,524	Public Halls & Civic Centres +\$20k, Other Recreation & Sport +\$49k, Depreciation +\$17k, Other Culture +\$28k.
OTHER PROPERTY & SERVICES	Various	\$15,930	\$64,081	Private Works expenditure +\$10k, Public Works overheads +\$17k, Plant Operating Costs not allocated to jobs +\$14k.

SIGNIFICANT VARIATIONS TO STRATEGIC PLANS - BY NATURE OR TYPE

REVENUE	ITEM	BUDGET \$	ACTUAL \$	EXPLANATION
OPERATING GRANTS	Various	\$504,546	\$607,655	Grants and contributions to Calingiri netball court +\$46k, Diesel Fuel rebate +\$16k, Federal Assistance Grants +\$24k.
INTEREST EARNINGS	Interest on Royalties for Regions funds.	\$44,300	\$98,236	Interest accrued on Royalties for Regions funding held in Trust by Shire of Toodyay.
OTHER REVENUE	Various	\$45,610	\$248,690	Insurance claim Shire house fire damaged +\$69k, Flood damage accrued \$25k, Workers Compensation, and other insurance claims recovered +\$77k.
NON-OPERATING GRANTS	Royalties for Regions funding (4 x Aged Persons Units)	\$2,441,175	\$1,531,190	Construction did not commence as in the 2015-16 year. Project has been carried-over to 2016-17 year.

EXPENSES	ITEM	BUDGET \$	ACTUAL \$	EXPLANATION
EMPLOYEE COSTS	Various	\$1,261,908	\$1,436,204	Maternity Leave and Workers Compensation.
DEPRECIATION ON NON-CURRENT ASSETS	Depreciation	\$1,589,527	\$2,509,869	Increase due to Fair Value re-valuation of Infrastructure Assets.
OTHER EXPENDITURE	Various	\$278,390	\$336,169	Legal Expenses +\$70k (budget amendment).

SIGNIFICANT VARIATIONS TO STRATEGIC PLANS - CAPITAL EXPENDITURE

CAPITAL EXPENDITURE	ITEM	BUDGET \$	ACTUAL \$	EXPLANATION
HOUSING	4 x Aged Persons Units	\$1,025,000	\$59,000	Construction did not commence as in the 2015-16 year. Project has been carried-over to 2016-17 year. Site preparation work undertaken.
COMMUNITY AMENITIES	Piawaning Water Supply	\$90,000	\$48,000	Balance of project carried-over to 2016-17.
RECREATION	Netball Court	\$0	\$66,000	Netball Court (budget amendment).
TRANSPORT	Road Construction	\$1,964,000	\$1,658,000	Project carried-over to 2016-17, cost savings.



FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2016

SHIRE OF VICTORIA PLAINS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:
28 Cavell Street
Calingiri WA 6569

SHIRE OF VICTORIA PLAINS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 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 18th day of October 2016


Ian Graham
Acting Chief Executive Officer

**SHIRE OF VICTORIA PLAINS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	2,247,116	2,244,281	2,158,419
Operating grants, subsidies and contributions	30	607,655	504,546	1,506,889
Fees and charges	29	203,491	174,561	217,878
Service charges	26	0	0	0
Interest earnings	2(a)	98,236	44,300	75,927
Other revenue	2(a)	248,690	45,610	91,089
		<u>3,405,188</u>	<u>3,013,298</u>	<u>4,050,202</u>
Expenses				
Employee costs		(1,436,204)	(1,261,908)	(1,254,662)
Materials and contracts		(1,041,080)	(967,092)	(981,154)
Utility charges		(80,645)	(74,555)	(75,275)
Depreciation on non-current assets	2(a)	(2,509,869)	(1,589,527)	(1,537,593)
Interest expenses	2(a)	(19,707)	(23,003)	(25,713)
Insurance expenses		(174,502)	(195,646)	(184,409)
Other expenditure		(336,169)	(278,390)	(272,972)
		<u>(5,598,176)</u>	<u>(4,390,121)</u>	<u>(4,331,778)</u>
		(2,192,988)	(1,376,823)	(281,576)
Non-operating grants, subsidies and contributions	30	1,531,190	2,441,175	469,006
Profit on asset disposals	21	8,732	12,262	13,985
(Loss) on asset disposals	21	(6,574)	(13,619)	(1,709)
Fair value adjustments to financial assets at				
Net result		<u>(659,640)</u>	<u>1,062,995</u>	<u>199,706</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	406,860	0	84,550,582
Total other comprehensive income		<u>406,860</u>	<u>0</u>	<u>84,550,582</u>
Total comprehensive income		<u>(252,780)</u>	<u>1,062,995</u>	<u>84,750,288</u>

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

**SHIRE OF VICTORIA PLAINS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
	2(a)			
Governance		10,464	4,258	7,852
General purpose funding		2,805,372	2,742,061	3,660,908
Law, order, public safety		54,358	40,770	68,793
Health		3,564	2,542	4,670
Education and welfare		0	0	1,750
Housing		172,245	62,015	65,586
Community amenities		80,556	70,816	76,928
Recreation and culture		73,641	27,331	32,121
Transport		35,140	2,332	9,218
Economic services		49,987	26,306	38,621
Other property and services		119,861	34,867	83,755
		<u>3,405,188</u>	<u>3,013,298</u>	<u>4,050,202</u>
Expenses				
	2(a)			
Governance		(421,380)	(352,758)	(350,929)
General purpose funding		(266,349)	(233,062)	(231,663)
Law, order, public safety		(276,718)	(282,631)	(283,209)
Health		(116,966)	(118,143)	(87,606)
Education and welfare		(39,367)	(41,097)	(30,264)
Housing		(237,042)	(200,459)	(176,372)
Community amenities		(336,676)	(404,361)	(273,221)
Recreation and culture		(661,524)	(547,593)	(592,503)
Transport		(2,988,524)	(1,995,971)	(2,086,281)
Economic services		(169,842)	(175,113)	(137,094)
Other property and services		(64,081)	(15,930)	(56,923)
		<u>(5,578,469)</u>	<u>(4,367,118)</u>	<u>(4,306,065)</u>
Finance costs				
	2(a)			
Governance		(180)	(183)	(378)
Housing		(602)	(663)	(1,344)
Recreation and culture		(18,925)	(22,157)	(23,991)
		<u>(19,707)</u>	<u>(23,003)</u>	<u>(25,713)</u>
		<u>(2,192,988)</u>	<u>(1,376,823)</u>	<u>(281,576)</u>
Non-operating grants, subsidies and contributions	30	1,531,190	2,441,175	469,006
Profit on disposal of assets	21	8,732	12,262	13,985
(Loss) on disposal of assets	21	(6,574)	(13,619)	(1,709)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	0
Net result		<u>(659,640)</u>	<u>1,062,995</u>	<u>199,706</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	406,860	0	84,550,582
Total other comprehensive income		<u>406,860</u>	<u>0</u>	<u>84,550,582</u>
Total comprehensive income		<u>(252,780)</u>	<u>1,062,995</u>	<u>84,750,288</u>

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

**SHIRE OF VICTORIA PLAINS
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,266,790	1,829,846
Trade and other receivables	4	334,245	150,284
Inventories	5	41,727	15,808
TOTAL CURRENT ASSETS		<u>1,642,762</u>	<u>1,995,938</u>
NON-CURRENT ASSETS			
Other receivables	4	260,743	276,267
Property, plant and equipment	6	12,510,109	12,377,954
Infrastructure	7	97,804,316	97,807,597
TOTAL NON-CURRENT ASSETS		<u>110,575,168</u>	<u>110,461,818</u>
TOTAL ASSETS		<u>112,217,930</u>	<u>112,457,756</u>
CURRENT LIABILITIES			
Trade and other payables	8	253,888	224,881
Current portion of long term borrowings	9	40,747	55,642
Provisions	10	168,840	143,909
TOTAL CURRENT LIABILITIES		<u>463,475</u>	<u>424,432</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	370,557	411,611
Provisions	10	40,299	25,335
TOTAL NON-CURRENT LIABILITIES		<u>410,856</u>	<u>436,946</u>
TOTAL LIABILITIES		<u>874,331</u>	<u>861,378</u>
NET ASSETS		<u>111,343,599</u>	<u>111,596,378</u>
EQUITY			
Retained surplus		21,419,564	22,094,662
Reserves - cash backed	12	914,722	899,263
Revaluation surplus	13	89,009,313	88,602,453
TOTAL EQUITY		<u>111,343,599</u>	<u>111,596,378</u>

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

SHIRE OF VICTORIA PLAINS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		21,631,031	1,163,188	4,051,871	26,846,090
Comprehensive income		199,706	0	0	199,706
Net result		199,706	0	0	199,706
Changes on revaluation of assets	13	0	0	84,550,582	84,550,582
Total comprehensive income		199,706	0	84,550,582	84,750,288
Transfers from/(to) reserves		263,925	(263,925)	0	0
Balance as at 30 June 2015		22,094,662	899,263	88,602,453	111,596,378
Comprehensive income		(659,640)	0	0	(659,640)
Net result		(659,640)	0	0	(659,640)
Changes on revaluation of assets	13	0	0	406,860	406,860
Total comprehensive income		(659,640)	0	406,860	(252,780)
Transfers from/(to) reserves		(15,459)	15,459	0	0
Balance as at 30 June 2016		21,419,564	914,722	89,009,313	111,343,598

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

**SHIRE OF VICTORIA PLAINS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,212,240	2,254,281	2,148,401
Operating grants, subsidies and contributions		514,448	516,546	1,554,505
Fees and charges		203,491	174,561	217,878
Service charges		0	0	0
Interest earnings		98,236	44,300	75,927
Goods and services tax		(55,135)	15,000	34,642
Other revenue		248,690	30,110	91,089
		<u>3,221,970</u>	<u>3,034,798</u>	<u>4,122,442</u>
Payments				
Employee costs		(1,433,872)	(1,197,152)	(1,277,686)
Materials and contracts		(999,617)	(1,037,092)	(1,172,386)
Utility charges		(80,645)	(74,555)	(75,275)
Interest expenses		(20,519)	(23,003)	(26,157)
Insurance expenses		(174,502)	(195,646)	(184,409)
Goods and services tax		0	0	0
Other expenditure		(336,169)	(262,890)	(272,972)
		<u>(3,045,324)</u>	<u>(2,790,338)</u>	<u>(3,008,885)</u>
Net cash provided by (used in) operating activities	14(b)	<u>176,646</u>	<u>244,460</u>	<u>1,113,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(489,996)	(1,472,970)	(1,503,699)
Payments for construction of infrastructure		(1,876,092)	(2,006,919)	(934,535)
Non-operating grants, subsidies and contributions		1,531,190	2,441,175	469,006
Proceeds from sale of fixed assets		136,364	196,500	1,068,011
Net cash provided by (used in) investment activities		<u>(698,534)</u>	<u>(842,214)</u>	<u>(901,217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(55,949)	(55,574)	(52,550)
Proceeds from self supporting loans		14,781	14,469	13,764
Proceeds from new debentures		0	0	0
Net cash provided by (used in) financing activities		<u>(41,168)</u>	<u>(41,105)</u>	<u>(38,786)</u>
Net increase (decrease) in cash held		(563,057)	(638,859)	173,554
Cash at beginning of year		1,829,846	1,820,475	1,656,292
Cash and cash equivalents at the end of the year	14(a)	<u>1,266,790</u>	<u>1,181,616</u>	<u>1,829,846</u>

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

**SHIRE OF VICTORIA PLAINS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>713,416</u> 713,416	<u>888,898</u> 888,898	<u>124,179</u> 124,179
Revenue from operating activities (excluding rates)				
Governance		10,464	10,520	14,423
General purpose funding		621,332	557,780	1,502,489
Law, order, public safety		54,358	40,770	68,793
Health		3,564	2,542	4,670
Education and welfare		0	0	1,750
Housing		172,245	62,015	65,586
Community amenities		80,556	70,816	76,928
Recreation and culture		73,641	27,331	32,121
Transport		35,140	8,332	15,306
Economic services		49,987	26,306	38,621
Other property and services		128,593	34,867	85,081
		<u>1,229,880</u>	<u>841,279</u>	<u>1,905,768</u>
Expenditure from operating activities				
Governance		(425,631)	(354,934)	(352,861)
General purpose funding		(266,349)	(233,062)	(231,663)
Law, order, public safety		(276,718)	(282,631)	(283,209)
Health		(116,966)	(118,143)	(87,606)
Education and welfare		(39,367)	(41,097)	(30,264)
Housing		(237,644)	(201,122)	(177,716)
Community amenities		(336,676)	(404,361)	(273,221)
Recreation and culture		(680,449)	(569,750)	(616,494)
Transport		(2,988,524)	(1,999,471)	(2,086,436)
Economic services		(169,842)	(175,113)	(137,094)
Other property and services		(66,584)	(24,056)	(56,923)
		<u>(5,604,750)</u>	<u>(4,403,740)</u>	<u>(4,333,487)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(8,732)	(12,262)	(13,985)
Loss on disposal of assets	21	6,574	13,619	1,709
Movement in deferred pensioner rates (non-current)		0	0	0
Movement in employee benefit provisions (non-current)		14,964	0	9,295
Depreciation and amortisation on assets	2(a)	<u>2,509,869</u>	<u>1,589,527</u>	<u>1,537,593</u>
Amount attributable to operating activities		<u>(1,138,779)</u>	<u>(1,082,679)</u>	<u>(768,928)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,531,190	2,441,175	469,006
Proceeds from disposal of assets	21	136,364	196,500	1,068,011
Purchase of property, plant and equipment	6(b)	(489,996)	(1,472,970)	(1,503,698)
Purchase and construction of infrastructure	7(b)	<u>(1,876,092)</u>	<u>(2,006,919)</u>	<u>(934,534)</u>
Amount attributable to investing activities		<u>(698,534)</u>	<u>(842,214)</u>	<u>(901,215)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(55,949)	(55,574)	(52,550)
Proceeds from new debentures	22(a)	0	0	0
Proceeds from self supporting loans		14,781	14,469	13,764
Transfers to reserves (restricted assets)	12	(368,537)	(362,283)	(31,345)
Transfers from reserves (restricted assets)	12	<u>353,078</u>	<u>144,000</u>	<u>295,270</u>
Amount attributable to financing activities		<u>(56,627)</u>	<u>(259,388)</u>	<u>225,139</u>
Surplus(deficiency) before general rates		<u>(1,893,940)</u>	<u>(2,184,281)</u>	<u>(1,445,004)</u>
Total amount raised from general rates	23	<u>2,184,040</u>	<u>2,184,281</u>	<u>2,158,419</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>290,100</u></u>	<u><u>0</u></u>	<u><u>713,415</u></u>

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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 the Council's intentions to release for sale.

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

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

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

Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 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.

Capitalisation threshold

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

Held-to-maturity investments are included in 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 VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

(m) Provisions

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

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

(n) Leases

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

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

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

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

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

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

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

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

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

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation. The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)
(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

2. REVENUE AND EXPENSES	2016	2015
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	10,059	10,100
- Assistance with the finalisation of the Annual Report	5,631	1,700
Grant Acquittals	1,400	0
Depreciation		
Buildings - non-specialised	123,265	121,687
Construction other than Buildings	69,142	25,320
Furniture and equipment	28,861	22,169
Plant and equipment	166,500	150,013
Motor Vehicles	242,728	257,041
Infrastructure - Roads	1,738,315	877,596
Infrastructure - Footpaths	13,440	3,842
Infrastructure - Other	127,618	79,925
	<u>2,509,869</u>	<u>1,537,593</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	19,707	25,713
	<u>19,707</u>	<u>25,713</u>
Other revenue		
Other	248,690	91,089
	<u>248,690</u>	<u>91,089</u>
	2016 Actual	2016 Budget
	\$	\$
Interest earnings		
- Loans receivable - clubs/institutions	13,209	17,750
- Reserve funds	26,090	15,000
- Other funds	39,208	0
Other interest revenue (refer note 28)	19,729	11,550
	<u>98,236</u>	<u>44,300</u>
	<u>98,236</u>	<u>44,300</u>
		2015 Actual
		\$
		15,134
		29,434
		15,831
		15,528
		<u>75,927</u>
		<u>75,927</u>

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. The Shire is dedicated to providing high quality services through the various service orientated programs detailed below.

COMMUNITY VISION

Our Vision Statement is an expression of what we aspire to ensure the Shire of Victoria Plains is like for people who live here in the future:-

**The Shire of Victoria Plains
Many Localities
One Perfect Lifestyle
A Place To Grow**

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

GOVERNANCE

Objective:

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

Activities:

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

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer and environmentally conscious community.

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

Objective:

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

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

Objective:

To provide and maintain housing.

Activities:

Provision and maintenance of elderly residents housing.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

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

ECONOMIC SERVICES

Objective:

To help promote the Shire and its economic wellbeing.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control the Shire's overhead operating accounts.

Activities:

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

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions	Grant/Contribution	Function/ Activity	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
			Balance ⁽¹⁾ 1/07/14	2014/15	2014/15	Balance ⁽¹⁾ 30/06/15	2015/16	2015/16	Balance ⁽¹⁾ 30/06/16
			\$	\$	\$	\$	\$	\$	\$
	DFES Operating Grant - 2016-17 Advance Payment	Law, Order & Public Safety	0	12,105	0	12,105	12,320	(12,105)	12,320
	Aged Friendly Communities	Housing	0	6,000	0	6,000	0	(6,000)	0
	Aged Friendly Communities	Community Amenities	0	29,200	0	29,200	0	(29,200)	0
	Aged Friendly Communities	Transport	0	20,000	0	20,000	0	(20,000)	0
	Total		0	67,305	0	67,305	12,320	(67,305)	12,320

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		339,748	863,278
Restricted		<u>927,042</u>	<u>966,568</u>
		<u>1,266,790</u>	<u>1,829,846</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	12	77,266	75,239
Plant Reserve	12	150,944	146,983
Housing Reserve	12	142,741	190,996
Sewerage Scheme Reserve	12	74,574	72,617
Refuse Site Reserve	12	267,922	304,891
Building Maintenance Reserve	12	74,202	88,878
Infrastructure Reserve	12	120,012	12,784
Gymnasium Reserve	12	7,061	6,875
Unspent grants	2(c)	<u>12,320</u>	<u>67,305</u>
		<u>927,042</u>	<u>966,568</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	84,316	49,440
Sundry debtors	125,128	31,921
GST receivable	109,589	54,454
Loans receivable - clubs/institutions	15,212	14,469
	<u>334,245</u>	<u>150,284</u>
Non-current		
Rates outstanding - pensioners	4,500	4,500
Loans receivable - clubs/institutions	256,243	271,767
	<u>260,743</u>	<u>276,267</u>
5. INVENTORIES		
Current		
Fuel and materials	41,727	15,808
	<u>41,727</u>	<u>15,808</u>
Non-current		
Land held for resale - cost		
Cost of acquisition	0	0
Development costs	0	0
	<u>0</u>	<u>0</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	1,136,000	1,136,000
Buildings - non-specialised at:		
- Management valuation 2014 - level 2,3	6,084,500	6,084,500
- Additions after valuation - cost	282,928	59,746
Less: accumulated depreciation	<u>(244,951)</u>	<u>(121,687)</u>
	6,122,477	6,022,559
Construction other than Buildings at:		
- Independent valuation 2015 - level 3	1,725,778	1,725,778
Less: accumulated depreciation	<u>(69,142)</u>	<u>0</u>
	1,656,636	1,725,778
	<u>7,779,113</u>	<u>7,748,337</u>
Total land and buildings	<u>8,915,113</u>	<u>8,884,337</u>
Furniture and equipment at:		
- Management valuation 2013 - level 3	0	113,189
- Management valuation 2016 - level 3	187,461	0
- Additions after valuation - cost	0	78,650
Less accumulated depreciation	<u>0</u>	<u>(39,195)</u>
	187,461	152,644
Plant and equipment at:		
- Management valuation 2013 - level 2	0	1,341,377
- Management valuation 2016 - level 3	1,592,384	0
- Additions after valuation - cost	0	428,854
- Disposals	0	(20,000)
Less accumulated depreciation	<u>0</u>	<u>(282,134)</u>
	1,592,384	1,468,097
Motor Vehicles at:		
- Management valuation 2013 - level 1	0	1,413,055
- Management valuation 2016 - level 3	1,815,151	0
- Disposals	0	(307,815)
- Additions after valuation - cost	0	1,182,483
Less accumulated amortisation	<u>0</u>	<u>(414,847)</u>
	1,815,151	1,872,876
	<u>12,510,109</u>	<u>12,377,954</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	1,136,000	0	0	0	0	0	0	0	1,136,000
Total land	1,136,000	0	0	0	0	0	0	0	1,136,000
Buildings - non-specialised	6,022,559	223,182	0	0	0	0	(123,264)	0	6,122,477
Construction other than Buildings	1,725,778	0	0	0	0	0	(69,142)	0	1,656,636
Total buildings	7,748,337	223,182	0	0	0	0	(192,406)	0	7,779,113
Total land and buildings	8,884,337	223,182	0	0	0	0	(192,406)	0	8,915,113
Furniture and equipment	152,644	35,779	0	27,899	0	0	(28,861)	0	187,461
Plant and equipment	1,468,097	28,231	0	262,556	0	0	(166,500)	0	1,592,384
Motor Vehicles	1,872,876	202,804	(134,206)	116,405	0	0	(242,728)	0	1,815,151
Total property, plant and equipment	12,377,954	489,996	(134,206)	406,860	0	0	(630,495)	0	12,510,109

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings						
Land - freehold		2	Sales comparison approach and cost approach.	Independent Registered Valuers	June 2014	Price per hectare.
Land - vested in and under the control of Council		2	Sales comparison approach and cost approach.	Independent Registered Valuers	June 2014	Price per hectare.
Buildings - non-specialised		2,3	Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2014	Improvements to buildings using construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Construction other than Buildings		3	Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2015	Improvements to buildings using construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment						
		3	Cost approach using depreciated replacement cost.	Independent Registered Valuers	June 2016	Residual values and remaining useful life assessments.
Plant and equipment						
		2	Market approach using recent observable market data for similar plant and equipment.	Management Valuation	June 2016	Price per item.
Motor Vehicles		1	Market approach using recent observable market data for similar plant and equipment.	Independent Registered Valuers	June 2016	Price per item.

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.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2015 - level 3	91,031,759	91,031,759
- Additions after valuation - cost	1,658,002	0
Less accumulated depreciation	<u>(1,738,315)</u>	<u>0</u>
	<u>90,951,446</u>	<u>91,031,759</u>
Infrastructure - Footpaths		
- Management valuation 2015 - level 3	447,999	447,999
- Additions after valuation - cost	44,644	0
Less accumulated depreciation	<u>(13,440)</u>	<u>0</u>
	<u>479,203</u>	<u>447,999</u>
Infrastructure - Other		
- Management valuation 2015 - level 3	6,327,839	6,327,839
- Additions after valuation - cost	173,446	0
Less accumulated depreciation	<u>(127,618)</u>	<u>0</u>
	<u>6,373,667</u>	<u>6,327,839</u>
	<u><u>97,804,316</u></u>	<u><u>97,807,597</u></u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (*Financial Management*) Regulation 17A (2) which requires infrastructure to be shown at fair value.

SHIRE OF VICTORIA PLAINS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	91,031,759	1,658,002	0	0	0	0	(1,738,315)	0	90,951,446
Infrastructure - Footpaths	447,999	44,644	0	0	0	0	(13,440)	0	479,203
Infrastructure - Other	6,327,839	173,446	0	0	0	0	(127,618)	0	6,373,667
Total infrastructure	97,807,597	1,876,092	0	0	0	0	(1,879,373)	0	97,804,316

SHIRE OF VICTORIA PLAINS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2016

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost.	Management Valuation.	June 2015	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost.	Management Valuation.	June 2015	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - Other	3	Cost approach using depreciated replacement cost.	Management Valuation.	June 2015	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs.

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.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 \$	2015 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	185,167	95,707
Accrued interest on debentures	2,411	3,223
Accrued salaries and wages	5,116	40,458
ATO liabilities	38,115	40,336
Pre-paid Rates	23,079	35,604
Accrued Expenses	0	9,553
	<u>253,888</u>	<u>224,881</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by floating charge		
Debentures	40,747	55,642
	<u>40,747</u>	<u>55,642</u>
Non-current		
Secured by floating charge		
Debentures	370,557	411,611
	<u>370,557</u>	<u>411,611</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	51,121	92,788	143,909
Non-current provisions	0	25,335	25,335
	<u>51,121</u>	<u>118,123</u>	<u>169,244</u>
Additional provision	11,951	27,944	39,895
Balance at 30 June 2016	<u>63,072</u>	<u>146,067</u>	<u>209,139</u>
Comprises			
Current	63,072	105,768	168,840
Non-current	0	40,299	40,299
	<u>63,072</u>	<u>146,067</u>	<u>209,139</u>

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to (from)	Actual 2015 Closing Balance
Leave Reserve	\$ 75,239	\$ 2,028	\$ 77,267	\$ 75,025	\$ 1,560	\$ 76,585	\$ 72,616	\$ 2,623	\$ 75,239
Plant Reserve	146,983	3,961	150,944	149,171	3,107	152,278	291,860	5,123	146,983
Housing Reserve	190,986	3,746	142,742	188,871	2,888	91,759	184,339	6,657	190,986
Sewerage Scheme Reserve	72,617	1,957	74,574	72,412	1,506	73,918	70,086	2,531	72,617
Refuse Site Reserve	304,891	7,031	267,922	304,029	6,328	266,357	294,263	10,628	304,891
Building Maintenance Reserve	88,878	1,947	74,201	90,366	1,879	92,245	85,780	3,098	88,878
Infrastructure Reserve	12,784	347,682	120,012	16,309	344,872	361,181	157,608	446	12,784
Gymnasium Reserve	6,875	185	7,060	6,856	143	6,999	6,636	239	6,875
	899,263	368,537	(353,078)	903,039	362,283	1,121,322	1,163,188	31,345	899,263

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	As required	To be used to fund annual and long service leave requirements.
Plant Reserve	As required	To be used for the purchase of major plant.
Housing Reserve	As required	To be used in the procurement of staff housing.
Sewerage Scheme Reserve	As required	To be used to maintain and improve the Calingiri sewerage system.
Refuse Site Reserve	As required	To be used to fund future refuse site development.
Building Maintenance Reserve	As required	To be used for the long term maintenance of Shire buildings.
Infrastructure Reserve	As required	To be used for future infrastructure development to ensure long term Shire sustainability.
Gymnasium Reserve	As required	To be used for future purchases and replacement of gymnasium equipment.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

13. REVALUATION SURPLUS

	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation Decrement \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$	2015 Opening Balance \$	2015 Revaluation Increment \$	2015 Revaluation Decrement \$	2015 Total Movement on Revaluation \$	2015 Closing Balance \$
Land and buildings	4,870,609	0	0	0	4,870,609	4,051,871	818,738	0	818,738	4,870,609
Furniture and equipment	0	27,899	0	27,899	27,899	0	0	0	0	0
Plant and equipment	0	262,556	0	262,556	262,556	0	0	0	0	0
Motor Vehicles	0	116,405	0	116,405	116,405	0	0	0	0	0
Infrastructure - Roads	78,768,701	0	0	0	78,768,701	0	78,768,701	0	78,768,701	78,768,701
Infrastructure - Footpaths	274,705	0	0	0	274,705	0	274,705	0	274,705	274,705
Infrastructure - Other	4,688,438	0	0	0	4,688,438	0	4,688,438	0	4,688,438	4,688,438
	88,602,453	406,860	0	406,860	89,009,313	4,051,871	84,550,582	0	84,550,582	88,602,453

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

14. 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:

	2016 \$	2016 Budget \$	2015 \$
Cash and cash equivalents	<u>1,266,790</u>	<u>1,181,616</u>	<u>1,829,846</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(659,640)	1,062,995	199,706
Non-cash flows in Net result:			
Depreciation	2,509,869	1,589,527	1,537,593
(Profit)/Loss on sale of asset	(2,158)	1,357	(12,276)
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	0
Loss on revaluation of fixed assets	0	0	0
Reversal of loss on revaluation of fixed assets	0	0	0
Non-current assets recognised due to changes in legislative requirements	0	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(183,218)	37,000	72,240
(Increase)/Decrease in inventories	(25,919)	10,000	40,397
Increase/(Decrease) in payables	29,007	(15,244)	(225,996)
Increase/(Decrease) in provisions	39,895		(29,101)
Grants contributions for the development of assets	(1,531,190)	(2,441,175)	(469,006)
Net cash from operating activities	<u>176,646</u>	<u>244,460</u>	<u>1,113,557</u>

	2016 \$		2015 \$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit	0		0
Bank overdraft at balance date	0		0
Credit card limit	20,000		20,000
Credit card balance at balance date	796		(2,691)
Total amount of credit unused	<u>20,796</u>		<u>17,309</u>
Loan facilities			
Loan facilities - current	40,747		55,642
Loan facilities - non-current	370,557		411,611
Total facilities in use at balance date	<u>411,304</u>		<u>467,253</u>
Unused loan facilities at balance date	<u>NIL</u>		<u>NIL</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

15. CONTINGENT LIABILITIES

There were no contingent liabilities to report for the financial year 2015/16.

16. CAPITAL AND LEASING COMMITMENTS

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the reporting date.

17. JOINT VENTURE ARRANGEMENTS

The Shire together with Homeswest have a joint venture agreement with regards to the provision of two aged persons units in Bolgart and four aged persons units in Calingiri. The only assets are the land and buildings. Councils twenty per cent (20%) share of these assets is included in the Property, Plant & Equipment as follows:-

	2016 \$	2015 \$
Non-current assets		
Land and buildings	279,359	136,000
Less: accumulated depreciation	(11,020)	(2,560)
	268,339	133,440

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016 \$	2015 \$
Governance	575,195	513,202
General purpose funding	82,014	63,337
Law, order, public safety	1,356,607	1,555,920
Health	37	56
Education and welfare	10,575	11,000
Housing	2,797,241	2,742,997
Community amenities	2,559,238	2,558,376
Recreation and culture	4,342,978	4,295,183
Transport	97,158,284	114,423,273
Economic services	173,788	178,280
Other property and services	2,242,209	1,987,623
Unallocated	919,764	(15,871,492)
	112,217,930	112,457,755

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

19. FINANCIAL RATIOS	2016	2015	2014
Current ratio	1.85	3.14	1.26
Asset sustainability ratio	0.80	1.49	1.74
Debt service cover ratio	4.48	16.53	5.14
Operating surplus ratio	(0.86)	(0.11)	(0.79)
Own source revenue coverage ratio	0.46	0.57	0.49

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 55 of this document.

Two of the 2016 and 2015 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$489,428.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015
Debt service cover ratio	10.94	10.28
Operating surplus ratio	(0.67)	(0.31)

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

20. 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:

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Council Nominations	0	800	(800)	0
Housing Bonds	401	2,200	(2,601)	0
BCITF	401	2,472	(2,229)	644
BSL	2,020	2,152	(2,038)	2,134
Gym Key Bonds	640	442	(680)	402
Hall Bonds	1,140	1,100	(1,700)	540
Tip Key Bonds	1,218	60	(20)	1,258
Community Bus	0	160	(150)	10
Transport Licencing	6,745	289,208	(294,901)	1,052
Other	1,235	0	0	1,235
	<u>13,800</u>			<u>7,275</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Plant and Equipment:								
Governance								
CEO Vehicle	43,737	42,727	0	(1,010)	43,738	50,000	6,262	0
DCEO Vehicle	33,516	30,455	0	(3,061)	34,493	32,500	0	(1,993)
Transport								
Grader Ute	10,471	13,182	2,711	0	13,000	12,000	0	(1,000)
Mitsubishi Fuso 13T Truck*	0	0			42,500	40,000	0	(2,500)
Extra Cab Ute*	0	0			14,000	20,000	6,000	0
Other property and services								
Works Manager Vehicle	37,048	34,545	0	(2,503)	38,126	30,000	0	(8,126)
Ute BMO	9,434	15,455	6,021	0	12,000	12,000	0	0
	<u>134,206</u>	<u>136,364</u>	<u>8,732</u>	<u>(6,574)</u>	<u>197,857</u>	<u>196,500</u>	<u>12,262</u>	<u>(13,619)</u>

* These vehicles were not disposed of.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2015 \$	New Loans \$	Principal Repayments		Principal 30 June 2016		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
LOAN 69 Re-roof Council Chambers	3,571	0	3,571	3,571	0	0	180	183
Housing								
LOAN 68 Staff Housing	13,279	0	13,279	13,280	0	0	602	663
Recreation and culture								
LOAN 72 Droughtproofing Oval	37,454	0	8,475	8,475	28,979	28,979	2,292	2,327
LOAN 83 Sports Pavilion Upgrade	126,649	0	15,779	15,779	110,870	110,870	5,499	5,499
	180,953	0	41,104	41,105	139,849	139,849	8,573	8,672
Self Supporting Loans								
Recreation and culture								
LOAN 83 Calingiri Football Club	286,300	0	14,845	14,469	271,455	271,768	11,134	14,331
	286,300	0	14,845	14,469	271,455	271,768	11,134	14,331
	467,253	0	55,949	55,574	411,304	411,617	19,707	23,003

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

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

The Shire did not have an overdraft facility as at 30th June 2016.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Gross rental value valuations	0.0872			1,828,850	159,439	0	0	159,439	159,439	0	0	159,439
Unimproved value valuations	0.0082			238,677,500	1,965,032	(6,095)	5,854	1,964,791	1,965,032	0	0	1,965,032
Sub-Total			0	240,506,350	2,124,471	(6,095)	5,854	2,124,230	2,124,471	0	0	2,124,471
Minimum payment		Minimum \$										
Gross rental value valuations	420		73		30,660	0	0	30,660	30,660	0	0	30,660
Unimproved value valuations	550		53		29,150	0	0	29,150	29,150	0	0	29,150
Sub-Total			126	0	59,810	0	0	59,810	59,810	0	0	59,810
Discounts/concessions (refer note 27)			126	240,506,350	2,184,281	(6,095)	5,854	2,184,040	2,184,281	0	0	2,184,281
Total amount raised from general rate								<u>2,184,040</u>				<u>2,184,281</u>
Specified Area Rate (refer note 25)								0				0
Ex-gratia rates								63,076				60,000
Totals								<u>2,247,116</u>				<u>2,244,281</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>290,100</u>	<u>713,416</u>	<u>713,416</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	339,748	930,583	930,583
Restricted	927,042	899,263	899,263
Receivables			
Rates outstanding	84,316	49,440	49,440
Sundry debtors	125,128	31,921	31,921
GST receivable	109,589	54,454	54,454
Loans receivable - clubs/institutions	15,212	14,469	14,469
Accrued Income	0	0	0
Inventories			
Fuel and materials	41,727	15,808	15,808
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(185,167)	(95,707)	(95,707)
Accrued interest on debentures	(2,411)	(3,223)	(3,223)
Accrued salaries and wages	(5,116)	(40,458)	(40,458)
ATO liabilities	(38,115)	(40,336)	(40,336)
Pre-paid Rates	(23,079)	(35,604)	(35,604)
Accrued Expenses	0	(9,553)	(9,553)
Current portion of long term borrowings			
Secured by floating charge	(40,747)	(55,642)	(55,642)
Provisions			
Provision for annual leave	(63,072)	(51,121)	(51,121)
Provision for long service leave	(105,768)	(92,788)	(92,788)
Unadjusted net current assets	<u>1,179,287</u>	<u>1,571,506</u>	<u>1,571,506</u>
Adjustments			
Less: Reserves - restricted cash	(914,722)	(899,263)	(899,263)
Less: Loans receivable - clubs/institutions	(15,212)	(14,469)	(14,469)
Add: Secured by floating charge	40,747	55,642	55,642
Adjusted net current assets - surplus/(deficit)	<u>290,100</u>	<u>713,416</u>	<u>713,416</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR

The Shire did not impose any Specific Area Rates for the financial year ended 30 June 2016.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not charge any Service Charges for the financial year ended 30 June 2016.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR**

Rates Discounts:
Nil.

Incentive:

An early payment incentive was offered via a draw for 4 x \$500 prizes for those ratepayers who paid total rates appearing on the rates notices by the due date.

Waivers or Concessions:

Photocopy Charges are waived for certain community groups such as the local newsletter, St John Ambulance and Volunteer Bush Fire Brigade. Council considers support of these groups necessary for the overall benefit of the community.

SHIRE OF VICTORIA PLAINS
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30TH JUNE 2016

28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %	
Instalment Options					
Option: 4 x instalments		\$4.50	5.50%	11.00%	
First Instalment	18-Sep-15				
Second Instalment	13-Nov-15				
Third Instalment	08-Jan-16				
Fourth Instalment	04-Mar-16				
					Budgeted Revenue
Interest on unpaid rates					\$ 5,000
Interest on instalment plan					6,471
Charges on instalment plan					6,807
					<u>26,536</u>
					<u>13,550</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	6,806	12,767
General purpose funding	1,522	4,042
Law, order, public safety	1,161	2,718
Health	148	126
Housing	64,806	66,321
Community amenities	76,793	63,425
Recreation and culture	7,711	9,414
Economic services	18,133	17,625
Other property and services	26,411	41,440
	<u>203,491</u>	<u>217,878</u>

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

30. GRANT REVENUE

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

By Nature or Type:	2016	2015
	\$	\$
Operating grants, subsidies and contributions		
Governance	6,770	635
General purpose funding	471,613	1,416,637
Law, order, public safety	48,635	59,288
Education and welfare	0	1,750
Housing	0	0
Community amenities	1,181	4,669
Recreation and culture	47,955	1,898
Transport	0	907
Other property and services	31,501	21,105
	<u>607,655</u>	<u>1,506,889</u>
Non-operating grants, subsidies and contributions		
Housing	58,668	6,000
Community amenities	80,000	39,200
Recreation and culture	0	12,478
Transport	1,392,522	411,328
	<u>1,531,190</u>	<u>469,006</u>
	<u>2,138,845</u>	<u>1,975,895</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>20</u>	<u>20</u>
-----------	-----------

32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	54,000	54,000	36,000
President's allowance	5,500	5,500	5,500
Deputy President's allowance	1,375	1,375	1,375
Travelling expenses	7,043	4,000	7,534
Telecommunications Allowance	8,362	4,500	10,442
	<u>76,280</u>	<u>69,375</u>	<u>60,851</u>

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2015/16 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

If the Shire did participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets				
Cash and cash equivalents	1,266,790	1,829,846	1,266,790	1,829,846
Receivables	<u>594,988</u>	<u>426,551</u>	<u>594,988</u>	<u>426,551</u>
	<u><u>1,861,778</u></u>	<u><u>2,256,397</u></u>	<u><u>1,861,778</u></u>	<u><u>2,256,397</u></u>
Financial liabilities				
Payables	253,888	224,881	253,888	224,881
Borrowings	<u>411,304</u>	<u>467,253</u>	<u>411,304</u>	<u>467,253</u>
	<u><u>665,192</u></u>	<u><u>692,134</u></u>	<u><u>665,192</u></u>	<u><u>692,134</u></u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

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

	2016	2015
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	126,679	182,985
- Statement of Comprehensive Income	126,679	182,985
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	12,668	18,298
- Statement of Comprehensive Income	12,668	18,298

Notes:

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

**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	76%	81%
- Overdue	24%	19%

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)
(c) Payables
Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2016					
Payables	253,888	0	0	253,888	253,888
Borrowings	40,747	162,801	207,756	411,304	411,304
	<u>294,635</u>	<u>162,801</u>	<u>207,756</u>	<u>665,192</u>	<u>665,192</u>
2015					
Payables	224,881	0	0	224,881	224,881
Borrowings	55,643	165,272	246,392	467,307	467,253
	<u>280,524</u>	<u>165,272</u>	<u>246,392</u>	<u>692,188</u>	<u>692,134</u>

SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debtentures	0	0	28,979	0	382,325	0	411,304	4.91%
Weighted average Effective interest rate	0.00%	0.00%	6.58%	0.00%	4.78%	0.00%		
Year ended 30 June 2015								
Borrowings								
Fixed rate								
Debtentures	16,920	0	0	37,453	0	412,933	467,306	5.00%
Weighted average Effective interest rate	6.78%	0.00%	0.00%	6.58%	0.00%	4.78%		



Anderson Munro & Wyllie

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**INDEPENDENT AUDIT REPORT
TO THE ELECTORS OF THE SHIRE OF VICTORIA PLAINS**

Scope

We have audited the financial report of Shire of Victoria Plains for the year ended 30 June 2016. The financial report comprises the Statement by Chief Executive Officer, Statements of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Rate Setting Statement and accompanying notes to the financial statements.

The Council is responsible for the preparation of a financial report which provides a true and fair view of the financial performance and position of the council in accordance with the Local Government Act 1995, and Regulations. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for accounting policies and estimates inherent to the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the electors of the Shire of Victoria Plains. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995, and Regulations, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of their performance which is represented by the results of operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence, supporting the amounts and disclosures in the financial report.
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of managements internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



Independence

Anderson Munro & Wyllie are independent of the Shire of Victoria Plains, and have met the independence requirements of Australian professional ethical pronouncements and the Local Government Act 1995.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Shire of Victoria Plains are properly drawn up:

- a) So as to give a true and fair view of the state of affairs of the Shire as at 30 June 2016 and the results of its operations and cash flows for the year then ended;
- b) In accordance with the requirements of the Local Government Act 1995; and
- c) In Accordance with Applicable Australian Accounting Standards.

Other Matters

During the course of our audit we noted the following breaches of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996:

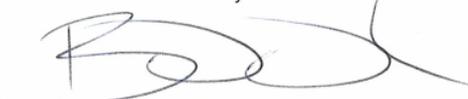
- The meeting minutes published on the Shire's website from July 2015 through to January 2016 inclusive were not signed versions as confirmed by the person presiding over the meetings as required under section 5.22(3) of the Local Government Act 1995.
- For one of the tenders called during 2015/2016 the Tenders Register failed to include a copy of the notice of the invitation to tender in accordance with (Functions & General) Regulation 17.

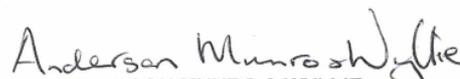
Statutory Compliance

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

- a) Except for the issues identified in the above 'Other Matters' paragraph we did not during the course of the audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.
- e) In relation to the Supplementary Ratio Information presented at page 60 of this report, we have reviewed the calculations as presented and in our opinion these are:
 - i) Based on verifiable information, and
 - ii) Reasonable assumptions.

Dated the 2nd day of November 2016 in Perth, Western Australia


BILLY-JOE THOMAS
Director


ANDERSON MUNRO & WYLLIE
Chartered Accountants

SHIRE OF VICTORIA PLAINS
 SUPPLEMENTARY RATIO INFORMATION
 FOR THE YEAR ENDED 30TH JUNE 2016

RATIO INFORMATION

The following information relates to those 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

	2016	2015	2014
Asset consumption ratio	0.98	1.002	0.383
Asset renewal funding ratio	1.03	0.902	1.086

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$



FINANCIAL RATIOS AS AT 30TH JUNE 2016

1. ASSET SUSTAINABILITY RATIO

Capital Renewal and Replacement Expenditure	2,006,542	=	.799
Depreciation Expense	2,509,869		

If above

Ratio >

1.1

Indicates a local government is investing in asset renewal/replacement to the degree that offsets the current consumption of its assets (1.00) and provides for the effect of inflation.

If above

Ratio

between

0.9 and

1.1

The local government is in between providing sufficient sustained capital investment and not providing enough. It is almost an "early warning" stage. The local government will need to try and improve its level of renewal/replacement if it hopes to maintain the level of service potential of its capital infrastructure.

If above

Ratio <

0.9

Indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time.

2. DEBT SERVICE COVER RATIO

Annual Operating Surplus Before Interest and Dep.	338,746	=	4.477
- operating revenue	(659,640)		
- less: specific purpose grants	(1,531,190)		
- less: specific purpose contributions	0		
- less: operating expense	0		
- add: interest expense	19,707		
- add: depreciation	2,509,869		

	-		
Principal and Interest	75,656		
- principal repayments on loans	55,949		
- interest repayments on loans	19,707		
- interest repayments on O/D	0		

If above Ratio > 10

Accept as reasonable.

If above Ratio

between 5 and 10

If above Ratio < 5

The local government needs to exercise caution around its debt management to help ensure its longer term financial position.

Debt management may be an issue and needs to be considered in context of the overall financial position.

3. OPERATING SURPLUS RATIO

Operating Revenue Minus Operating Expense	(2,190,830)	
- operating revenue	(659,640)	
- less: specific purpose grants	(1,531,190)	
- less: specific purpose contributions	0	
	-----	=
Own Source Operating Revenue	2,557,575	-0.857
- rates and service charges	2,247,116	
- add: fees and user charges	203,491	
- add: reimbursements and recoveries	0	
- add: interest income	98,236	
- add: profit on disposal of assets	8,732	

If above Ratio > 0.15

The local government is providing a strong operating surplus which will give flexibility in relation to future operational service levels and asset base.

If above Ratio between 0.00 and 0.15

The operating surplus should be closely monitored with improvements made where possible to increase the capacity to give flexibility in relation to future operational service levels and asset base.

If above Ratio <= 0.00

The local government is experiencing an operating deficit.

4. OWN SOURCE REVENUE RATIO

Own Source Operating Revenue	2,557,575	
- rates and service charges	2,247,116	
- add: fees and user charges	203,491	
- add: reimbursements and recoveries		
- add: interest income	98,236	
- add: profit on disposal of assets	8,732	
	-----	=
Operating Expense	5,604,750	0.456

If above Ratio > 0.9

Satisfactory.

If above Ratio between 0.6 and 0.9

The local government will need to improve this ratio if it hopes to maintain and improve the current service level of its asset base.

If above Ratio < 0.6

The local government needs to examine the level of its own source revenue given current levels of operating expenses.

5. ASSET CONSUMPTION RATIO

Depreciated Replacement Cost of Assets	110,314,425	=	0.981
Current Replacement Cost of Depreciable Assets	112,507,891		

If Ratio > 0.6 Indicates a local government is investing in asset renewal to a level where a high percentage of the local government depreciable assets remain in an ‘as new’ condition.

If Ratio between 0.5 and 0.6 Care needs to be exercised as the local government is in danger of slipping into the level where it will have difficulty maintaining the "aged" condition of its assets.

If Ratio < 0.5 Indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew assets at a level equal to maintain the average ‘aged’ condition of the assets.

6. ASSET RENEWAL FUNDING RATIO (ARFR)

NPV of Planned Capital Renewals Over 10 years	11,728,022	=	1.030
NPV of Required Capital Expenditure Over 10 years	13,006,360		

If above Ratio > 0.95 Indicates a local government is investing in asset renewal to the degree that offsets the current consumption of its assets (1.00) and provides for the effect of inflation.

If above Ratio between 0.75 and 0.95 The local government needs to exercise caution and adjusts plans over the longer term to ensure it invests sufficiently to maintain the service potential of its assets.

If above Ratio < 0.75 Indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew assets while also negating the effect of inflation on purchasing power over time.

COUNCILLORS

The Shire is divided into four wards, Central, East, South and West each represented by two Councillors, except for the West Ward which is represented by three.

Central Ward

East Ward



Cr J Brennan
Retires 2017



Cr J Corless-Crowther
Retires 2019



Cr D Smith
Retires 2017

Cr A Broadhurst
Retires 2019

West Ward



Cr J Kelly
Retires 2017



Cr D Lovelock
Retires 2017



Cr P Carr
Retires 2019

South Ward



Cr S Penn
Retires 2017



Cr N Clarke
Retires 2019

STAFF

Senior Staff

Chief Executive Officer	Mr Harry Hawkins
Deputy CEO/Manager of Finance and Administration	Mr Ian Graham
Works Manager	Mr David Holland
Health, Building and Planning	Mr Linton Thomas (Building/Health)

Office Staff

Executive Assistant	Ms Suzanne Mearns
Senior Finance Officer	Mrs Susan Mills
Finance Officer/Rates	Mrs Jodie Thompson
Administration/Library Officer	Mrs Peta Shales
Community Development Officer	Ms Jaime Hawkins
Community Emergency Services Officer	Mrs Vicki Booth

Field Staff

Supervisor	Mr Pat McDermott
Grader Drivers	Mr Michael Hyatt Mr Robert O'Brien
Gardener	Mr Matthew Hauesler
Plant Operators	Mr Don Bald Mr Kim Watson Mr Lindsay Watson Mr Jamie Bald
Town Maintenance/Plant Operators	Mr Don Westlake Mr Garry Stewart
Building Maintenance Officer	Mr Paul Spowart
Engineering Support Officer	Mr Shayne Willcocks
Depot Clerk	Mr Phil Cook
Caravan Park Caretaker -Bolgart	Mrs Annette Lee
Caravan Park Caretaker -Calingiri	Mr Shayne Willcocks
Librarians —Bolgart	Mrs Sue Ludemann Ms Rosina Ainsworth
Librarians —Mogumber	Mrs Phyllis Toms Mrs Joan Harvey
Refuse Site Attendants	Ms Tracy Martin Mr Gary James

STATISTICS AND FACTS

Area	2,563km ²
Distance from Perth	140km
Population	931 (<i>Australian Bureau of Statistics 2012</i>)
Number of Electors	581 (<i>WA Electoral Commission 2013</i>)
Number of Dwellings	510 (<i>Australian Bureau of Statistics 2012</i>)

Towns:-
 Bolgart
 Calingiri
 Gillingarra

Mogumber
 New Norcia
 Piawaning
 Yerecoin

Local Industries:-
 Wheat
 Barley
 Canola
 Lupins
 Hay
 Oats
 Sheep
 Cattle
 Pigs
 Tourism

Length Sealed Roads:-	246.84 km
Length Unsealed Roads:-	577.93 km
Structural Asphaltic Concrete:-	0.07 km
Total Roads Length (km)	824.84 km



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