

1 JULY 2011 TO 30 JUNE 2012
SHIRE OF VICTORIA PLAINS

ANNUAL REPORT



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A MESSAGE FROM THE PRESIDENT

We have had another favourable report from Shire Auditors UHY Haines Norton Chartered Accountants and a good financial result with some highlights as follows:

Operating surplus of \$1,359,568

Loans: Outstanding Principal as at 30th June 2012
\$296,562

Reserves: Balance at 30th June 2012 \$1,065,342

Road Expenditure: \$848,289 Construction and \$790,162 Maintenance.



The surplus does however include an advance of \$398,026 on the 2012/2013 federal government Financial Assistance Grants paid as in previous years.

The Shire has purchased new machinery including a second prime mover, a low loader trailer and a drum roller.

The sports Pavilion and oval upgrade at the Calingiri Sports Ground is now complete and is a great asset of the shire, well done to all involved. The Pavilion and change room upgrade was planned and budgeted however the oval upgrade was not expected and was done as a result of the annual report from our turf consultant using volunteers from the football club, reserve funds and some Royalties for Regions funding.

We have had some staff changes, most notably the two senior staff positions with Finance and Administration Manager Neil Hamilton retiring in February 2012 and Works Manager Clive Lovell resigning in April 2012. We have been lucky enough to find two capable replacements in Ian Graham for the Finance and Administration Manager position and Greg Stephens as Works Manager.

The State Government is still advocating structural reform, but while we have the support of the National Party policy of not forcing amalgamations we are safe till an amalgamation pro government is in power in its own right.

The local farmers appear to be having a good season and without late destructive rains should have a positive financial result.

I wish all ratepayers a happy and prosperous future.

Many thanks to my Deputy Cr Lovelock, fellow councillors and Shire staff for their support.

Regards
Geoff Erickson
Shire President

FROM THE CHIEF EXECUTIVE OFFICER

The 2011/2012 financial year saw the end of the trial shared CEO role in October 2011 with my role returning to full time in Victoria Plains. This was needed with the turnover of senior staff when both a new Works Manager came and went and Neil Hamilton retired after seven years in the Finance and Administration Manager/Deputy CEO role.



The Works Manager position has been a problem for a few years since Allen Kent left, other than a short period of stability under Ross Hooper's leadership. The trial of two supervisors under the guidance of the Executive Manager Technical Services from the Shire of Chittering was a failure after the proposed guidance didn't happen and workplace conflict followed. Clive Lovell was employed from August 2011 until April 2012 and while the quality of work was good, productivity was down and the workplace conflict remained leading to Clive's resignation. The resignation of Shayne Willcocks one of the two supervisors has reduced the workplace conflict and the appointment of Greg Stephens in June 2012 is having a positive effect. Council and I are looking forward to a period of productivity improvements, an increase in staff morale and a long association with Greg.

Neil Hamilton was replaced in January 2012 by Ian Graham who has previously worked in the same position at the Shire of Wongan Ballidu. Ian who had a good reputation at Wongan Ballidu left local government and returned to the private sector before coming back to the industry at Victoria Plains. Neil will be missed but Ian is a good replacement as we capitalise and build on our good financial management.

Amalgamation of country local governments continues to run cold while the state government concentrates on metropolitan local governments and those country local governments that have pursued reform through Regional Transition Groups. In the meantime the Shires of Victoria Plains and Chittering will continue to share Health, Building, Planning and Ranger services while also being members of the Avon Regional Organisation of Councils (AROC). Due to workload in their shire Chittering has withdrawn the shared Community Development Officer from July 2012.

Royalties for Regions funding continues to help the shire improve the condition of infrastructure with the 2010-2011 round used along with Department of Sport and Recreation funding to upgrade the pavilion and change rooms at the Calingiri Sportsground. 2011-2012 funding was then used to provide for new fencing, goal posts and to reinstate lighting at the Calingiri oval as well as brick paving and a new water tank at the pavilion. Other projects to benefit from Royalties for Regions 2011-2012 funding were the Yerecoin footpath on Milner Street, the Yerecoin playground and some re sheeting of Bolgart West Road which is to be done in the 2012-2013 year.

While the Calingiri Sportsground Pavilion and Change Room project received funding from Royalties for Regions and the Department of Sport and Recreation the football and hockey clubs who were hoping to receive funding from LotteryWest to fit the building out were told that funding was not available for sports buildings. The shire then took out a loan of \$170,000 to ensure that the building was finalised and fitted out ready to use. The building is shire owned and by taking out the loan it meant that the shire owns the total building including all fixtures and fittings.

While the upgrade of the pavilion was planned and funded the raising and re-sowing of the Calingiri Sportsground oval was not and when advised by turf consultants that this would need to be done Council agreed to transfer funds from the housing reserve to complete the project. I would also like to thank the football club volunteers and Rex Glass for the donation of the sand for helping with this project that benefits the whole community.

Funding was received from Main Roads WA for the Aglime Route 2 this year for the repair of failures on the Calingiri New Norcia Road, plus reimbursement of cost over runs in 2010-2011 and for the intersection works at the Calingiri Goomalling and Toodyay Bindi Bindi Roads which will be done in 2012-2013. The amount of road work undertaken in 2011-2012 was down due to issues with the works manager position which are now resolved.

I would once again conclude by thanking the shire staff and Councillors for their help and support this year particularly Fiona Watson, Neil Hamilton, Clive Lovell and Ian Graham.

Harry Hawkins
Chief Executive Officer

FINANCE AND ADMINISTRATION MANAGER'S REPORT



SURPLUS/DEFICIT

The 2011/2012 financial year has resulted in a net surplus carried forward of \$967,895. Note however that this surplus includes \$398,026 advance on the 2012/2013 financial assistance grants. The budgeted operating surplus was \$392,721.

BORROWINGS

As at 30th June 2012, the total borrowings were \$296,562. The borrowings increased from \$151,262 as at 30th June 2011 as a result of a new loan to complete the upgrade of the Calingiri Sports Pavilion. Debt principal repaid during the year was \$24,700.

INTEREST

Interest earnings for the financial year 2011/2012 amounted to \$123,466 against a budget of \$104,000. Of the interest income, \$59,554 resulted from short term investments on reserve funds and \$53,677 from municipal funds. Interest expense on borrowings for the year amounted to \$9,333.

RATES

Income from rates amounted to \$1,934,869, including ex-gratia rates of \$54,653 and allowing for the \$2,000 incentive payment for early payment of rates. Total rates income amounted to a rate coverage of 37% on total income for the period.

ROADS

Total road grants income received for the financial year amounted to \$1,205,890.

Total road expenditure was \$1,715,335 as follows:

Road Construction	\$925,173 (budget \$1,117,574)
Road Maintenance	\$790,162 (budget \$869,442)

The major road construction works were:-

Regional Roads Program – Gillingarra/Glentromie Rd	\$293,406
Roads to Recovery Program - Yerecoin/Glentromie Rd	\$219,167
Calingiri/New Norcia Rd	\$114,527
Old Plains Road	\$111,623

PLANT

Items of major plant purchased or replaced during the financial year were:-

Hino 700 Series Truck	\$209,169
Low Loader Trailer	\$ 83,858
Drum Roller	\$144,000

The net trade-in on existing plant amounted to \$196,823.

RESERVES

As at 30th June 2012, the cash-backed reserves balance was \$1,065,342, against a budgeted closing balance of \$1,024,313.

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 for the following financial year (i.e. year-ended 30th June 2013). Of the ratios currently used, only the Current Ratio will remain and six new ratios will be implemented.

The six new ratios are:

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

The 2011/2012 year ratios as disclosed in this Annual Report confirm that the Shire of Victoria Plains has high level of liquidity and a strong financial position.

CONCLUSION

I commenced in the role of Deputy CEO / Finance and Administration Manager in January 2012 and this is my first Annual Report for the Shire of Victoria Plains.

Staff numbers in the finance and administration department remained the same for the period, although we welcomed a new Rates Officer during the year.

My thanks go to all of the 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 2012/2013.

Ian Graham

Deputy CEO / Finance and Administration Manager

FROM THE WORKS AND SERVICES DEPARTMENT

The Works and Services Department 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 Council income streams.

Grant Revenue

External funding is the major income stream for capital works and major maintenance of Councils assets and in the 2011/12 financial year external Australian or Western Australian Government granted funding to the Shire of Victoria Plains.

The major external funding agencies providing grants or contributions to the Shire of Victoria Plains are:

- Regional Road Group (RRG) - funding administered by the Main Roads Western Australia (MRWA)
- Main Roads Western Australia (MRWA) Direct Grant for roads
- Department of Infrastructure, Transport, Regional Development and Local Government (Australian Government) Roads to Recovery funding program
- Royalties for Regions
- State Regional Roads Group Funding.

Works and Service Functions

Major capital construction projects undertaken in the 2011/12 financial year were:

Council and direct Road Funding:

- Bolgart School Parking Area
- Gravel Road Re-sheeting
- Skilling Road
- Old Plains Road
- Pither Road

Royalties for Regions

- Yerecoin Footpaths

Roads to Recovery Funded

- Yerecoin / Glentromie Road

AG Lime Route Capital Expenditure

- Ag Lime - Goomalling / Toodyay Bindi Intersection Survey
- Calingiri-New Norcia Road

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 funding management and acquittal
- RRG 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.

Parks and Gardens

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

Plant

The Council purchased/replaced the following items in this reporting period

- Purchase: Tri Axle Low Loader
- Purchase: Nissan Dual Cab Ute
- Purchase: Rock Bucket with Grapple for Bobcat
- Replace: Mitsubishi Truck / Purchase Hino 700, Prime Mover
- Replace: Multi Tyred Roller /Purchase: Dynapac, Drum Roller

Waste Management

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

Council strives to manage waste in an environmentally responsible and sustainable manner to protect the natural environment and public health.

Landfill management, litter pickup and the disposal of hazardous waste.

Kerbside collection

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

Development of the Roman II Road Asset Management System

Council maintains a strategic focus in respect to the development and maintenance of road infrastructure assets.

Through the use of the “Roman II” Road Management System, Council 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 Road Management System has highlighted the need for a higher level of expenditure on road maintenance and preservation. Council’s current and future budgets will reflect the higher priority needed to maintain existing road and bridge infrastructure.

Council officers are continually collecting traffic counts and classification data to support the deterioration modelling which assists the preparation of Council’s 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 Local Government Grants Commission to calculate funds allocated to the Shire from the Grants Commission.

Customer Works Requests

Council aims to be responsive to ratepayers’ requests for minor improvements and fault rectification.

Requests vary dramatically and can be minor in nature from sweeping a path, an emergency with fallen trees to major road works and or 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 nine staff that operates from the Shire Depot with the Works and Services Manager, located on the corner of Edmonds and Cavell Streets Calingiri.

Shire works staff undertakes 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 and Services Department has achieved a great deal in some trying times with changeover of staff and subsequent staff shortages.

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 the Works and Services employees, many of who go to great lengths to provide services to the public in their role.

I would like to express my thanks to all team members within the Works and Services Department for their high professional standards and output efforts during the 2011/2012 year.

Greg Stephens
Works and Services Manager

FROM THE SHARED RESOURCES DESK

Environmental Health Report

Food Act 2008 Reporting

Under Section 121 of the Food Act 2008, each Local Government is required to submit an annual report to the Department of Health (DOH) on food related activities.

The report indicated that the level of surveillance was acceptable. Food premises are generally being kept to a high standard and it was therefore not necessary to issue any formal work orders, infringement notices, or take legal action. Minor breaches were dealt with on-site and followed up with inspection reports.

Wastewater Treatment System Approvals

Several approvals were granted for the installation of septic systems in the Shire in areas not serviced by the Shire's effluent disposal scheme. There were no alternative treatment system applications during the year.

Sewerage Asset Management Plan Update

A consultant completed the 3-yearly update of the Shire's Sewerage Asset Management Plan (AMP). This varied from previous audits in that it required a risk assessment for all assets and operations relating to the sewerage schemes for the townsites of Calingiri and Yerecoin.

Economic Regulation Authority (ERA) – Audit of Sewerage Licence

The updated AMP was included in the audit conducted by the Shire's consultant, Quantum, to ascertain compliance with licence conditions. The Shire received a very favourable report from the ERA with only 3 minor items requiring action. These will be attended to by the end of 2012.

Compliance and Monitoring Reporting – Sewerage Licence

The annual compliance and monitoring reports were submitted to the ERA. No complaints or non-compliances were noted in the reports.

Landfill Site Reporting to the Department of Environment and Conservation (DEC)

Statutory reporting to the DEC was completed for the Shire's 3 landfill sites. The DEC conducted an audit of each site during the year and required explanation in relation to several items of non-compliance with licence conditions. The Shire is working towards better management of the sites to resolve the issues.

Public Buildings

An inspection program for the public buildings within the Shire was commenced. Key areas of concern often relate to incorrect door locks and non-functioning illuminated exit signs. The Calingiri sports pavilion was recently assessed for public building compliance and a Maximum Accommodation Certificate issued.

Glenn Sargeson

Principal Environmental Health Officer

Building Report

A total of 19 building licences were issued for building works within the Shire with a total value of \$1,184,224.

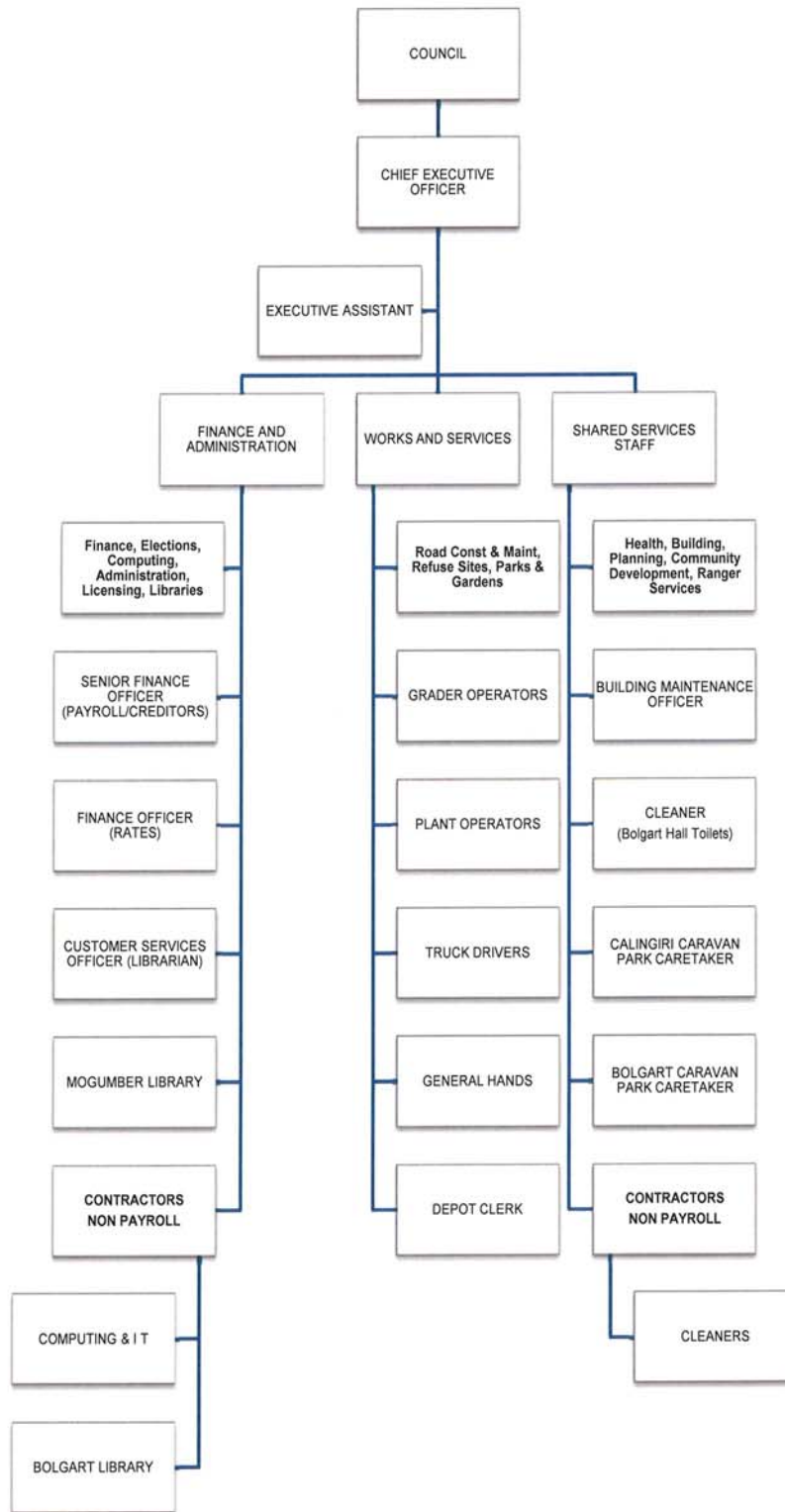
This consisted of 7 sheds, 6 houses and 1 swimming pool, along with 4 ancillary buildings and commercial works.

This may be compared with the previous years building activity when a total of 20 building licences were issued with a value of \$2,595,153.

General

This shared resources scheme arrangement is continuing to utilise the services of Building, Health and Planning Staff from the Shire of Chittering.

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 Council to 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 removed 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 fill requirements of the package are contained in a statement issues 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 Council 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 Council activities.

Structural Reform

In this area, the Council 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 Council have “exclusive or near exclusive control of the market supply of this service?”

2 Dual Function

Does the Council have both a regulatory and Supply function in this area of activity

3 Willing Competitors

If the Council 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 Council 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, Council 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 F O I requests.

DISABILITY ACCESS PLAN

The Disability Services Act requires council to maintain a Disability Services Plan to ensure that accessibility to council 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

The eighth year of the records management program at the Shire saw further development of Record's Management Plan 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 is operational from 2009 to 2014.

Under the Plan the Shire of Victoria Plains maintains recordkeeping training and staff induction programs to ensure that the shire employees are informed of their responsibilities in regard to recordkeeping. This program is subject to review in 2014 to improve its effectiveness and efficiency.

REGISTER OF COMPLAINTS

There were no entries made in the complaints register under Section 5.121 during the 2011/2012 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.

The Shire of Victoria Plains has one (1) employee who receives 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. The result is the development of the Strategic Plan.

The Strategic Plan was adopted by Council on the 21st August 2007.

Council's current Strategic Plan 2007/2011 is currently under review and will be updated according to the Integrated Planning and Reporting Framework.

Integrated Planning is the development and delivery of a Strategic Community Plan and a Corporate Business plan. Integrated Planning is supported by informing strategies including Asset Management, Long Term Financial Planning and Workforce Planning.

In accordance with Section 5.56 of the Local Government Act (1995) a Plan for the Future was developed from the Strategic Plan. This Plan for the Future is a living document and will be reviewed annually to ensure its continued viability and relevance.

The existing Plan for the Future for the period 2008/2009 to 2012/2013 was adopted by Council on the 18th September 2012.

The Plan for the Future is available at the Shire of Victoria Plains Administration centre or on the Shire of Victoria Plains website:- www.victoriaplains.wa.gov.au

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2012

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

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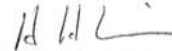
SHIRE OF VICTORIA PLAINS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Victoria Plains being the annual financial report and other information for the financial year ended 30th June 2012 are in my opinion properly drawn up to present fairly the financial position of the Shire of Victoria Plains at 30th June 2012 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 12TH day of OCTOBER 2012



Harry Hawkins
Chief Executive Officer

**SHIRE OF VICTORIA PLAINS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Rates	22	1,934,869	1,934,696	1,855,853
Operating Grants, Subsidies and Contributions	28	1,014,138	606,976	766,880
Fees and Charges	27	170,716	172,018	243,568
Interest Earnings	2(a)	123,466	104,000	133,267
Other Revenue		79,861	43,110	114,282
		<u>3,323,050</u>	<u>2,860,800</u>	<u>3,113,850</u>
Expenses				
Employee Costs		(931,973)	(1,030,267)	(837,511)
Materials and Contracts		(892,420)	(1,047,188)	(1,040,505)
Utility Charges		(48,554)	(46,620)	(49,321)
Depreciation on Non-Current Assets	2(a)	(1,855,105)	(1,809,744)	(1,712,949)
Interest Expenses	2(a)	(9,333)	(9,593)	(11,063)
Insurance Expenses		(157,665)	(148,799)	(138,639)
Other Expenditure		(2,047)	0	0
		<u>(3,897,097)</u>	<u>(4,092,211)</u>	<u>(3,789,988)</u>
		(574,047)	(1,231,411)	(676,138)
Non-Operating Grants, Subsidies and Contributions	28	1,858,466	1,561,632	1,096,870
Profit on Asset Disposals	20	81,472	64,500	111,261
Loss on Asset Disposals	20	(6,323)	(2,000)	(44,285)
		<u>1,359,568</u>	<u>392,721</u>	<u>487,708</u>
Net Result		1,359,568	392,721	487,708
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>1,359,568</u></u>	<u><u>392,721</u></u>	<u><u>487,708</u></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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Governance		12,355	5,353	37,006
General Purpose Funding		3,031,640	2,599,395	2,743,030
Law, Order, Public Safety		43,082	36,633	51,063
Health		7,034	7,650	15,518
Housing		62,489	54,524	69,535
Community Amenities		67,143	72,207	65,745
Recreation and Culture		14,624	22,027	31,589
Transport		10,802	5,218	69,340
Economic Services		30,007	21,365	26,422
Other Property and Services		48,960	38,428	48,787
	2(a)	3,328,136	2,862,800	3,158,035
Expenses				
Governance		(287,734)	(315,580)	(286,182)
General Purpose Funding		(186,831)	(185,919)	(185,752)
Law, Order, Public Safety		(133,102)	(161,205)	(122,661)
Health		(89,597)	(100,149)	(91,444)
Education and Welfare		(32,947)	(51,966)	(50,554)
Housing		(144,512)	(145,475)	(100,627)
Community Amenities		(214,227)	(238,612)	(198,895)
Recreation and Culture		(400,530)	(382,330)	(306,620)
Transport		(2,267,156)	(2,343,891)	(2,370,213)
Economic Services		(108,886)	(141,882)	(101,502)
Other Property and Services		(27,328)	(17,609)	(8,660)
	2(a)	(3,892,850)	(4,084,618)	(3,823,110)
Finance Costs				
Governance		(1,001)	(1,019)	(1,331)
Housing		(4,146)	(4,313)	(5,051)
Recreation & Culture		(4,186)	(4,261)	(4,606)
Other Property and Services		0	0	(75)
	2(a)	(9,333)	(9,593)	(11,063)
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		318,347	300,000	34,762
Education & Welfare		45,204	20,000	0
Recreation and Culture		560,555	637,828	0
Transport		934,360	603,804	1,062,108
		1,858,466	1,561,632	1,096,870
Profit/(Loss) on Disposal of Assets				
Governance		(1,237)	0	0
Transport		72,818	60,500	64,976
Economic Services		3,568	2,000	2,000
		75,149	62,500	66,976
Net Result		1,359,568	392,721	487,708
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		0	0	0
Total Comprehensive Income		1,359,568	392,721	487,708

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

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

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,326,363	1,802,976
Trade and Other Receivables	4	46,400	179,983
Inventories	5	<u>14,114</u>	<u>4,295</u>
TOTAL CURRENT ASSETS		<u>2,386,877</u>	<u>1,987,254</u>
NON-CURRENT ASSETS			
Other Receivables	4	9,945	1,375
Property, Plant and Equipment	6	6,814,397	5,088,973
Infrastructure	7	<u>14,404,429</u>	<u>14,956,250</u>
TOTAL NON-CURRENT ASSETS		<u>21,228,771</u>	<u>20,046,598</u>
TOTAL ASSETS		<u>23,615,648</u>	<u>22,033,852</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	215,703	134,114
Long Term Borrowings	9	40,139	24,700
Provisions	10	<u>135,937</u>	<u>149,507</u>
TOTAL CURRENT LIABILITIES		<u>391,779</u>	<u>308,321</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	256,423	126,562
Provisions	10	<u>30,662</u>	<u>21,753</u>
TOTAL NON-CURRENT LIABILITIES		<u>287,085</u>	<u>148,315</u>
TOTAL LIABILITIES		<u>678,864</u>	<u>456,636</u>
NET ASSETS		<u>22,936,784</u>	<u>21,577,216</u>
EQUITY			
Retained Surplus		21,871,441	20,346,371
Reserves - Cash Backed	11	<u>1,065,343</u>	<u>1,230,845</u>
TOTAL EQUITY		<u>22,936,784</u>	<u>21,577,216</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 2012

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010		18,005,951	1,437,380	1,646,177	21,089,508
Correction of errors	12	1,646,177	0	(1,646,177)	0
Restated balance		19,652,128	1,437,380	0	21,089,508
Net Result		487,708	0	0	487,708
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		206,535	(206,535)	0	0
Balance as at 30 June 2011		20,346,371	1,230,845	0	21,577,216
Net Result		1,359,568	0	0	1,359,568
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		165,502	(165,502)	0	0
Balance as at 30 June 2012		21,871,441	1,065,343	0	22,936,784

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 2012**

	NOTE	2012	2012	2011
			\$	
Cash Flows From Operating Activities				
Receipts				
Rates		1,924,343	1,934,696	1,861,366
Operating Grants, Subsidies and Contributions		1,114,241	761,497	663,153
Fees and Charges		170,516	172,018	243,568
Service Charges		0	0	0
Interest Earnings		123,466	104,000	133,267
Goods and Services Tax		400,006	0	271,613
Other Revenue		78,063	42,910	114,282
		<u>3,810,635</u>	<u>3,015,121</u>	<u>3,287,249</u>
Payments				
Employee Costs		(940,058)	(748,380)	(488,396)
Materials and Contracts		(816,967)	(875,283)	(1,300,514)
Utility Charges		(48,554)	(46,620)	(49,321)
Insurance Expenses		(157,665)	(148,799)	(138,639)
Interest expenses		(9,593)	(9,593)	(11,666)
Goods and Services Tax		(352,570)	0	(269,644)
Other Expenditure		(2,047)	(281,884)	(323,117)
		<u>(2,327,454)</u>	<u>(2,110,559)</u>	<u>(2,581,297)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>1,483,181</u>	<u>904,562</u>	<u>705,952</u>
Cash Flows from Investing Activities				
Property, Plant & Equipment		(2,225,210)	(1,947,640)	(1,096,320)
Payments for Construction of Infrastructure		(925,173)	(1,117,574)	(1,507,419)
Advances to Community Groups		(10,000)	0	0
Non-Operating Grants, Subsidies and Contributions		1,858,466	1,561,632	1,096,870
Proceeds from Sale of Plant & Equipment		196,823	117,500	269,299
Net Cash Provided By (Used In) Investing Activities		<u>(1,105,094)</u>	<u>(1,386,082)</u>	<u>(1,237,570)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(24,700)	(24,700)	(40,557)
Proceeds from New Debentures		170,000	0	0
Net Cash Provided By (Used In) Financing Activities		<u>145,300</u>	<u>(24,700)</u>	<u>(40,557)</u>
Net Increase (Decrease) in Cash Held		523,387	(506,220)	(572,175)
Cash at Beginning of Year		1,802,976	1,806,220	2,375,151
Cash and Cash Equivalents at the End of the Year	13(a)	<u>2,326,363</u>	<u>1,300,000</u>	<u>1,802,976</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 2012**

	NOTE	2012 Actual	2012 Budget	2011 Actual
Revenue				
Governance		12,355	5,353	37,006
General Purpose Funding		1,096,771	664,699	921,939
Law, Order, Public Safety		361,429	336,633	51,063
Health		7,034	7,650	15,518
Education and Welfare		45,204	20,000	0
Housing		62,489	54,524	69,535
Community Amenities		67,143	72,207	65,745
Recreation and Culture		575,179	659,855	31,589
Transport		1,017,980	669,522	1,196,424
Economic Services		33,575	21,365	28,522
Other Property and Services		48,960	38,428	48,787
		<u>3,328,119</u>	<u>2,550,236</u>	<u>2,466,128</u>
Expenses				
Governance		(289,972)	(185,919)	(287,513)
General Purpose Funding		(186,831)	(316,599)	(185,752)
Law, Order, Public Safety		(133,102)	(161,205)	(122,661)
Health		(89,597)	(100,149)	(91,444)
Education and Welfare		(32,947)	(51,966)	(50,554)
Housing		(148,658)	(149,788)	(105,678)
Community Amenities		(214,227)	(238,612)	(198,895)
Recreation and Culture		(404,716)	(386,590)	(311,226)
Transport		(2,267,156)	(2,343,891)	(2,370,213)
Economic Services		(108,886)	(141,882)	(101,602)
Other Property and Services		(27,328)	(15,610)	(8,735)
		<u>(3,903,420)</u>	<u>(4,092,211)</u>	<u>(3,834,273)</u>
Net Result Excluding Rates		(575,301)	(1,541,975)	(1,368,145)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	20	(75,149)	(62,500)	(66,976)
Movement in Accrued Salaries & Wages		0	0	9,432
Movement in Employee Benefit Provisions (non-current)		8,909	0	16,567
Movement in Deferred Pensioner Rates (non-current)		(570)	0	0
Depreciation on Assets	2(a)	1,855,105	1,809,744	1,712,949
Capital Expenditure and Revenue				
Purchase Land and Buildings		(859,804)	(633,021)	(93,696)
Purchase Infrastructure Assets - Roads		(848,289)	(912,554)	(1,489,360)
Purchase Infrastructure Assets - Other		(76,884)	(205,020)	(18,059)
Purchase Construction other than Buildings		(313,342)	(155,671)	(16,984)
Purchase Plant and Equipment		(1,001,465)	(1,114,820)	(965,539)
Purchase Furniture and Equipment		(50,599)	(44,128)	(20,101)
Proceeds from Disposal of Assets	20	196,823	117,500	269,299
Repayment of Debentures	21(a)	(24,700)	(24,700)	(40,557)
Proceeds from New Debentures	21	170,000	0	0
Self-Supporting Loan Principal Income		(10,000)	0	0
Transfers to Reserves (Restricted Assets)	11	(458,501)	(445,000)	(537,921)
Transfers from Reserves (Restricted Assets)	11	624,005	651,895	744,456
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	472,788	625,554	660,083
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	967,895	0	651,301
Amount Required to be Raised from Rates	22(a)	<u>(1,934,869)</u>	<u>(1,934,696)</u>	<u>(1,855,853)</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 2012

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

(f) Inventories

General

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

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

Land Held for Resale

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

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

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

(g) Fixed Assets

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

Initial Recognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

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

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

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

subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

Buildings	50 years
Furniture and Equipment	5 - 33 years
Plant and Equipment	
- Extended term (eg Graders, Rollers, Tractors)	20 years
- Long term (eg Loaders, Heavy Trucks)	10 - 15 years
- Medium term (eg Medium Trucks)	10 years
- Short term (eg Light Trucks, Cars, Utes)	4 - 5 years
- Temporary (eg Ride on Mowers)	3 years
Infrastructure Assets	
- Road earthworks/formation	75 years
- Road seals (aggregate)	15 years
- Roads (unsealed) - gravel	12 years
- Roads (unsealed) - formed	10 years
- Drains/sewers	75 years
- Footpaths (concrete)	50 years
- Footpaths (slab)	20 years
- Kerbing	50 years
- Sportsgrounds	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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Capitalisation Threshold

Expenditure on items of equipment under \$1,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

Derecognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Impairment**

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

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

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

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

(j) **Trade and Other Payables**

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

(k) **Employee Benefits**

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

(l) **Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(m) **Provisions**

Provisions are recognised when:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Joint Venture

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

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

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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) **Superannuation**

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

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

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

(s) **Rounding Off Figures**

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

(t) **Comparative Figures**

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

(u) **Budget Comparative Figures**

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

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

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

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

2. REVENUE AND EXPENSES	2012	2011
	\$	\$
 (a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Significant Expense		
There were no items of significant expense for the financial years 2011/12 or 2010/11.		
Auditors Remuneration		
- Audit	13,797	11,715
- Other Services	9,157	1,850
 Depreciation		
Buildings	74,897	73,506
Construction other than buildings	17,834	14,998
Furniture and Equipment	18,383	20,787
Plant & Equipment, Motor Vehicles	266,998	227,491
Roads & other infrastructure	1,475,624	1,375,078
Footpaths	1,369	1,089
	<u>1,855,105</u>	<u>1,712,949</u>
 Interest Expenses (Finance Costs)		
Debentures (<i>refer Note 21(a)</i>)	9,333	11,063
	<u>9,333</u>	<u>11,063</u>
 (ii) Crediting as Revenue:		
	2012	2012
	\$	Budget
		\$
 Interest Earnings		
Investments		
- Reserve Funds	59,554	50,000
- Other Funds	53,677	45,000
Other Interest Revenue (<i>refer note 26</i>)	10,235	9,144
	<u>123,466</u>	<u>104,000</u>
		<u>133,267</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Members expenses and the costs associated with Council and Committee meetings.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, administration of the Shire's Volunteer Bushfire Brigades, fire prevention, Rural Watch and animal control.

HEALTH

Food control, mosquito control, analytical expenses and assistance to St John Ambulance sub-centres.

EDUCATION AND WELFARE

Maintenance of school ovals, and awards to schools.

HOUSING

Maintenance of staff and non-staff residences.

COMMUNITY AMENITIES

Provision and maintenance of a sewerage system, refuse collection services, operation of refuse sites, noise control, operation of the Calingiri Cemetery, administration of a Town planning Scheme, Shire Development.

RECREATION AND CULTURE

Maintenance of halls, recreation centre, various reserves and the operation of 3 libraries.

TRANSPORT

Construction and maintenance of roads, bridges, drainage works, footpaths, traffic signs and town streets.

ECONOMIC SERVICES

Tourism, pest control services, promotion of Land Conservation measures and implementation of building controls.

OTHER PROPERTY AND SERVICES

Private Works carried out by Council, Public Works Overhead allocations.

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

**2. REVENUE AND EXPENSES (Continued)
(c) Conditions Over Grants/Contributions**

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Bridge Works	Transport	14,000	0	(14,000)	0	0	0	0
Royalties for Regions	Various	49,017	0	(49,017)	0	635,834	(550,834)	85,000
Aglime Route 2	Transport	113,592	817,175	(796,942)	133,825	38,008	(165,082)	6,751
Dry Seasons Grant	Community	0	20,000	(14,867)	5,133	0	(5,133)	0
Roads to Recovery	Transport	0	0	0	0	228,981	(219,167)	9,814
Total		176,609	837,175	(874,826)	138,958	902,823	(940,216)	101,565

Notes:

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

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

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

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

	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,159,456	433,173
Restricted	1,166,907	1,369,803
	<u>2,326,363</u>	<u>1,802,976</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	67,527	63,979
Plant Reserve	326,409	273,641
Housing Reserve	171,422	292,699
Sewerage Scheme Reserve	65,175	61,755
Motor Vehicle Reserve	0	77,942
Refuse Site Reserve	273,644	258,773
Building Maintenance Reserve	103,837	147,558
Infrastructure Reserve	54,157	51,342
Gymnasium Reserve	3,171	3,156
Unspent Grants	101,565	138,958
	<u>1,166,907</u>	<u>1,369,803</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	17,169	5,213
Sundry Debtors	17,832	117,935
GST Receivable	9,399	56,835
Loans - Clubs/Institutions	2,000	0
	<u>46,400</u>	<u>179,983</u>
Non-Current		
Rates Outstanding - Pensioners	1,945	1,375
Loans - Clubs/Institutions	8,000	0
	<u>9,945</u>	<u>1,375</u>
5. INVENTORIES		
Current		
Fuel and Materials	14,114	4,295
	<u>14,114</u>	<u>4,295</u>

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

	2012	2011
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	4,838,434	3,978,630
Less Accumulated Depreciation	<u>(1,517,637)</u>	<u>(1,442,740)</u>
	3,320,797	2,535,890
Construction other than buildings - Cost	1,080,368	767,026
Less Accumulated Depreciation	<u>(119,525)</u>	<u>(101,691)</u>
	960,843	665,335
Furniture and Equipment - Cost	299,054	248,455
Less Accumulated Depreciation	<u>(198,123)</u>	<u>(179,740)</u>
	100,931	68,715
Motor Vehicles - Cost	1,675,423	1,090,152
Less Accumulated Depreciation	<u>(559,000)</u>	<u>(458,401)</u>
	1,116,423	631,751
Plant and Equipment - Cost	2,156,477	1,902,291
Less Accumulated Depreciation	<u>(841,074)</u>	<u>(715,009)</u>
	1,315,403	1,187,282
	<u>6,814,397</u>	<u>5,088,973</u>

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Construction other than Buildings \$	Furniture & Equipment \$	Motor Vehicles \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	2,535,890	665,335	68,715	631,751	1,187,282	5,088,973
Additions	859,804	313,342	50,599	747,279	254,186	2,225,210
(Disposals)	0	0	0	(121,674)	0	(121,674)
Revaluation - Increments - (Decrements)	0	0	0	0	0	0
Impairment - (Losses) - Reversals	0	0	0	0	0	0
Depreciation (Expense)	(74,897)	(17,834)	(18,383)	(140,933)	(126,065)	(378,112)
Carrying amount at the end of year	3,320,797	960,843	100,931	1,116,423	1,315,403	6,814,397

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

	2012	2011
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	47,864,589	47,016,300
Less Accumulated Depreciation	<u>(34,796,763)</u>	<u>(33,379,394)</u>
	13,067,826	13,636,906
Footpaths - Cost	136,838	68,451
Less Accumulated Depreciation	<u>(10,175)</u>	<u>(8,806)</u>
	126,663	59,645
Other Infrastructure - Cost	4,064,876	4,056,379
Less Accumulated Depreciation	<u>(2,854,936)</u>	<u>(2,796,680)</u>
	1,209,940	1,259,699
	<u>14,404,429</u>	<u>14,956,250</u>

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

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Other Infrastructure \$	Total \$
Balance at the beginning of the year	13,636,906	59,645	1,259,699	14,956,250
Additions	848,289	68,387	8,497	925,173
(Disposals)	0	0	0	0
Revaluation - Increments - (Decrements)	0	0	0	0
Impairment - (Losses) - Reversals	0	0	0	0
Depreciation (Expense)	(1,417,369)	(1,369)	(58,255)	(1,476,993)
Other movements	0	0	(1)	(1)
Carrying amount at the end of year	13,067,826	126,663	1,209,940	14,404,429

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

	2012	2011
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	189,013	103,740
Accrued Interest on Debentures	1,108	1,368
Accrued Salaries and Wages	25,582	29,006
	<u>215,703</u>	<u>134,114</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	40,139	24,700
	<u>40,139</u>	<u>24,700</u>
Non-Current		
Secured by Floating Charge		
Debentures	256,423	126,562
	<u>256,423</u>	<u>126,562</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	60,094	63,027
Provision for Long Service Leave	75,843	86,480
	<u>135,937</u>	<u>149,507</u>
Non-Current		
Provision for Long Service Leave	30,662	21,753
	<u>30,662</u>	<u>21,753</u>

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

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	63,979	63,998	60,817
Amount Set Aside / Transfer to Reserve	3,548	2,941	3,162
Amount Used / Transfer from Reserve	0	0	0
	<u>67,527</u>	<u>66,939</u>	<u>63,979</u>
(b) Plant Reserve			
Opening Balance	273,641	273,792	574,573
Amount Set Aside / Transfer to Reserve	417,768	406,420	413,524
Amount Used / Transfer from Reserve	(365,000)	(534,000)	(714,456)
	<u>326,409</u>	<u>146,212</u>	<u>273,641</u>
(c) Housing Reserve			
Opening Balance	292,699	292,785	278,233
Amount Set Aside / Transfer to Reserve	9,255	13,454	14,466
Amount Used / Transfer from Reserve*	(130,532)	0	0
	<u>171,422</u>	<u>306,239</u>	<u>292,699</u>
(d) Sewerage Scheme Reserve			
Opening Balance	61,755	61,773	58,703
Amount Set Aside / Transfer to Reserve	3,420	2,839	3,052
Amount Used / Transfer from Reserve	0	0	0
	<u>65,175</u>	<u>64,612</u>	<u>61,755</u>
(e) Motor Vehicle Reserve			
Opening Balance	77,942	77,895	0
Amount Set Aside / Transfer to Reserve	1,266	0	77,942
Amount Used / Transfer from Reserve	(79,208)	(77,895)	0
	<u>0</u>	<u>0</u>	<u>77,942</u>
(f) Refuse Site Reserve			
Opening Balance	258,773	258,849	255,984
Amount Set Aside / Transfer to Reserve	14,871	11,894	12,789
Amount Used / Transfer from Reserve	0	0	(10,000)
	<u>273,644</u>	<u>270,743</u>	<u>258,773</u>
(g) Building Maintenance Reserve			
Opening Balance	147,558	147,602	140,266
Amount Set Aside / Transfer to Reserve	5,544	4,944	7,292
Amount Used / Transfer from Reserve	(49,265)	(40,000)	0
	<u>103,837</u>	<u>112,546</u>	<u>147,558</u>
(h) Infrastructure Reserve			
Opening Balance	51,342	51,357	68,804
Amount Set Aside / Transfer to Reserve	2,815	2,363	2,538
Amount Used / Transfer from Reserve	0	0	(20,000)
	<u>54,157</u>	<u>53,720</u>	<u>51,342</u>
(i) Gymnasium Equipment Reserve			
Amount Set Aside / Transfer to Reserve	3,156	3,157	3,156
Amount Used / Transfer from Reserve	15	145	0
	<u>3,171</u>	<u>3,302</u>	<u>3,156</u>
TOTAL CASH BACKED RESERVES	<u>1,065,342</u>	<u>1,024,313</u>	<u>1,230,845</u>

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

11. RESERVES - CASH BACKED (continued)

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

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

Leave Reserve

- to be used to fund annual and long service leave requirements.

Plant Reserve

- to be used for the purchase of major plant.

Housing Reserve

- to be used in the procurement of staff housing.

Sewerage Scheme Reserve

- to be used to maintain and improve the Calingiri sewerage scheme.

Motor Vehicle Reserve

- to be used for the purchase of light vehicles.

Refuse Site Reserve

- to be used to fund future refuse site development.

Building Maintenance Reserve

- to be used for the long term maintenance of Shire buildings.

Infrastructure Reserve

- to be used for future infrastructure development to ensure long term Shire sustainability.

Gymnasium Equipment Reserve

- to be used for future purchases and replacement of gymnasium equipment.

* Note that during the year, Council has changed the Housing Reserve Fund to the the Calingiri Sports Grounds Upgrade Reserve Fund.

12. RESERVES - ASSET REVALUATION

The Asset Revaluation Reserve arose on initial revaluation of asset classifications in prior year as follows:

\$

Land and Buildings	1,646,177
	1,646,177

In 2011 (and previous years), these balances were disclosed as part of the Asset Revaluation Reserve balance despite the Council resolving to revert to deemed cost in accordance with the transition to IFRS effective from 1 July 2004. At the time of reverting to deemed cost the Asset Revaluation Reserve should have been transferred to Retained Surplus.

This prior period adjustment is necessary to reflect this correction.

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>2,326,363</u>	<u>1,300,000</u>	<u>1,802,976</u>

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

Net Result	1,359,568	392,721	487,708
Depreciation	1,855,105	1,809,744	1,712,949
(Profit)/Loss on Sale of Asset	(75,149)	(62,500)	(66,976)
(Increase)/Decrease in Receivables	125,014	154,521	(96,246)
(Increase)/Decrease in Inventories	(9,819)	4,967	4,352
Increase/(Decrease) in Payables	81,589	166,741	(255,532)
Increase/(Decrease) in Employee Provisions	(4,661)	0	16,567
Advances to Community Groups	10,000	0	0
Grants/Contributions for the Development of Assets	<u>(1,858,466)</u>	<u>(1,561,632)</u>	<u>(1,096,870)</u>
Net Cash from Operating Activities	<u>1,483,181</u>	<u>904,562</u>	<u>705,952</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0		0
Bank Overdraft at Balance Date	0		0
Credit Card limit	5,000		5,000
Credit Card Balance at Balance Date	<u>(370)</u>		<u>(4)</u>
Total Amount of Credit Unused	<u>4,630</u>		<u>4,996</u>

Loan Facilities

Loan Facilities - Current	40,139		24,700
Loan Facilities - Non-Current	256,423		126,562
Total Facilities in Use at Balance Date	<u>296,562</u>		<u>151,262</u>

Unused Loan Facilities at Balance Date	<u>0</u>		<u>0</u>
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**SHIRE OF VICTORIA PLAINS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

14. CONTINGENT LIABILITIES

There are no contingent liabilities to report for the financial year 2011/12.

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

There are no finance lease commitments to report for the financial year 2011/12.

(b) Operating Lease Commitments

There are no operating lease commitments to report for the financial year 2011/12.

(c) Capital Expenditure Commitments

	2012	2011
	\$	\$
Contracted for:		
- Capital Expenditure Projects	13,714	0
Payable:		
- not later than one year	13,714	0

The capital expenditure project outstanding at the end of the current reporting period represents retentions on the Calingiri Sports Pavilion Upgrade.

16. JOINT VENTURE

The shire together with Homewest have a joint venture agreement with regards to the provision of two aged persons units in Bolgart and four aged persons units in the Calingiri townsite. The only assets are Land and Buildings. Council's twenty per cent share of these assets is included in the Property, Plant and Equipment as follows:

	2012	2011
	\$	\$
Non-Current Assets		
Land	7,488	7,488
Buildings	158,310	158,310
Plus Additions Current Year:	1,488	0
Less: Accumulated Depreciation	<u>(36,394)</u>	<u>(33,225)</u>
	<u>130,892</u>	<u>132,573</u>

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

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	388,548	470,573
General Purpose Funding	19,206	12,524
Law, Order, Public Safety	398,115	205,489
Health	367	641
Education and Welfare	6,777	7,223
Housing	996,099	1,136,851
Community Amenities	585,145	582,547
Recreation and Culture	2,718,223	1,688,080
Transport	16,834,943	16,456,301
Economic Services	169,606	171,742
Other Property and Services	162,303	672,914
Unallocated	1,336,316	628,966
	<u>23,615,648</u>	<u>22,033,851</u>

18. FINANCIAL RATIOS

	2012	2011	2010
Current Ratio	3.764	2.527	1.717
Untied Cash to Unpaid Trade Creditors Ratio	6.134	4.176	2.068
Debt Ratio	0.029	0.022	0.034
Debt Service Ratio	0.01	0.016	0.053
Gross Debt to Revenue Ratio	0.087	0.047	0.065
Gross Debt to Economically Realisable Assets Ratio	0.032	0.021	0.027
Rate Coverage Ratio	0.369	0.431	0.443
Outstanding Rates Ratio	0.009	0.003	0.006

The above ratios are calculated as follows:

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

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

19. TRUST FUNDS

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

	Balance 1-Jul-11	Amounts Received	Amounts Paid	Balance 30-Jun-12
	\$	\$	(\$)	\$
Housing Bonds	4,691	1,920	(285)	6,326
BCITF	3,162	2,558	(5,092)	628
BRB	380	871	(991)	260
Hall Bonds	400	1,620	(1,200)	820
Licencing	0	283,487	(282,145)	1,342
Other	3,120	5,000	(1,882)	6,238
	<u>11,753</u>			<u>15,614</u>

20. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
Governance						
CEO Vehicle	17,864	18,000	20,114	16,000	2,250	(2,000)
CEO Vehicle	37,164	0	40,000	0	2,836	0
DCEO Vehicle	23,318	23,000	21,818	25,000	(1,500)	2,000
DCEO Vehicle	30,278	0	25,455	0	(4,823)	0
Pentium PC	0	0	0	0	0	0
Law, Order, Public Safety						
Fire Tender Mogumber	0	0	0	0	0	0
Transport						
Mitsubishi Tandem Truck	0	6,000	71,818	66,500	71,818	60,500
Traffic Classifier	0	0	500	0	500	0
Traffic Classifier	0	0	500	0	500	0
Economic Services						
Building Maintenance Ute	13,050	8,000	16,618	10,000	3,568	2,000
TOTAL	<u>121,674</u>	<u>55,000</u>	<u>196,823</u>	<u>117,500</u>	<u>75,149</u>	<u>62,500</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
69 Council Chambers Roof	15,695	0	2,735	2,735	12,960	12,960	1,001	1,019
Housing								
68 Staff Housing	58,377	0	10,159	10,159	48,218	48,218	3,729	3,783
73 Aged Persons Units	10,829	0	5,265	5,265	5,564	5,564	417	530
Recreation & Culture								
72 Droughtproofing Calingiri	66,361	0	6,541	6,541	59,820	59,821	4,186	4,261
82 Sports Pavilion Upgrade	0	170,000	0	0	170,000	0	0	0
	151,262	170,000	24,700	24,700	296,562	126,563	9,333	9,593

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Recreation & Culture										
Sports Pavilion Upgrade	170,000	0	WATC	Fixed Rate	10	42,780	4.48	170,000	0	0

(c) There were no unspent debentures as at 30 June 2012.

(d) Overdraft
Council does not have an overdraft facility.

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

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
GRV	10.5750	240	1,150,504	121,666	(163)		121,503	122,859	0	0	122,859
UV	0.6013	388	281,034,000	1,689,857	(3,075)		1,686,783	1,686,357	0	0	1,686,357
Sub-Totals		628	282,184,504	1,811,523	(3,238)	0	1,808,266	1,809,216	0	0	1,809,216
Minimum Rates											
GRV	420	109	181,543	43,680			43,680	45,780	0	0	45,780
UV	550	54	1,590,342	30,250			30,250	29,700	0	0	29,700
Sub-Totals		163	1,771,885	73,930	0	0	73,930	75,480	0	0	75,480
Ex-Gratia Rates											
Specified Area Rate (refer note 23)							1,882,216				1,884,696
							54,653				0
							1,936,869				1,936,696
							(2,000)				(2,000)
Totals							1,934,869				1,934,696

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

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR (continued)	(30 June 2012 Carried Forward) \$	(1 July 2011 Brought Forward) \$	(30 June 2011 Carried Forward) \$
(b) Information on Surplus/(Deficit) Brought Forward	967,895	472,788	651,301
Surplus/(Deficit)			
Comprises:			
Cash - Unrestricted	1,159,456	433,173	433,173
Cash - Restricted	1,166,907	1,369,803	1,369,803
Rates - Current	17,169	5,213	5,213
Sundry Debtors	17,832	117,936	117,936
GST Receivable	9,399	56,835	56,835
Inventories			
- Fuel and Materials	14,114	4,294	4,294
Less:			
Reserves - Restricted Cash			
- Leave Reserve	(67,527)	(63,979)	(63,979)
- Plant Reserve	(326,409)	(273,641)	(273,641)
- Housing Reserve	(171,422)	(292,699)	(292,699)
- Sewerage Scheme Reserve	(65,175)	(61,755)	(61,755)
- Motor Vehicle Reserve	0	(77,942)	(77,942)
- Refuse Site Reserve	(273,644)	(258,773)	(258,773)
- Building Maintenance Reserve	(103,837)	(147,558)	(147,558)
- Infrastructure Reserve	(54,157)	(51,342)	(51,342)
-Gymnasium Reserve	(3,171)	(3,156)	(3,156)
Sundry Creditors	(189,013)	(103,740)	(103,740)
Accrued Interest on Debentures	(1,108)	(1,368)	(1,368)
Accrued Salaries and Wages	(25,582)	(29,006)	0*
Current portion of leave provisions	(135,937)	(149,507)	0*
Surplus/(Deficit)	967,895	472,788	651,301

Difference:

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

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

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

23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAF

There were no Specified Area Rates for the financial year 2011/12.

24. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

There were no Service Charges during the financial year 2011/12.

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates & Minimum Rate	Incentive		2,000	2,000
			2,000	2,000

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.

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.

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

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		3,660	3,000
Interest on Instalments Plan	5.50%		6,575	6,000
Charges on Instalment Plan		\$4.50	1,618	1,500
			<u>11,853</u>	<u>10,500</u>

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

27. FEES & CHARGES	2012	2011
	\$	\$
Governance	9,414	87,684
General Purpose Funding	1,270	8,078
Law, Order, Public Safety	1,172	1,386
Health	2,022	376
Housing	59,033	59,097
Community Amenities	59,900	52,256
Recreation and Culture	7,601	7,367
Economic Services	19,056	12,926
Other Property and Services	11,248	14,398
	<u>170,716</u>	<u>243,568</u>

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

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

28. GRANT REVENUE

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

	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,014,138	766,880
Non-Operating Grants, Subsidies and Contributions	<u>1,858,466</u>	<u>1,096,870</u>
	<u>2,872,604</u>	<u>1,863,750</u>
By Program:		
Governance	9,765	10,729
General Purpose Funding	946,259	733,412
Law, Order, Public Safety	356,361	37,707
Education and Welfare	45,204	0
Housing	0	0
Community Amenities	3,653	2,043
Recreation and Culture	560,555	3,120
Transport	935,134	1,062,705
Economic Services	0	0
Other Property and Services	<u>15,673</u>	<u>14,034</u>
	<u>2,872,604</u>	<u>1,863,750</u>

29. ELECTED MEMBERS REMUNERATION

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	31,544	32,000	28,000
President's Allowance	8,000	8,000	7,500
Travelling Expenses	2,294	4,000	859
Telecommunications Allowance	<u>8,386</u>	<u>8,500</u>	<u>8,500</u>
	<u>50,224</u>	<u>52,500</u>	<u>44,859</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2012	2011
	<u>18</u>	<u>18</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions for the financial year 2011/12.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	2,326,363	1,802,976	2,326,363	1,802,976
Receivables	56,345	181,358	56,345	181,358
	<u>2,382,708</u>	<u>1,984,334</u>	<u>2,382,708</u>	<u>1,984,334</u>
Financial Liabilities				
Payables	215,703	134,114	215,703	134,114
Borrowings	296,562	151,262	280,573	143,107
	<u>512,265</u>	<u>285,376</u>	<u>496,276</u>	<u>277,221</u>

Fair value is determined as follows:

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

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

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

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

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

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

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

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

	2012	2011
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	23,264	18,030
- Statement of Comprehensive Income	23,264	18,030

Notes:

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

Recent market volatility has seen large market movements for certain types of investments.

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2012	2011
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	83.00%	98.00%
- Overdue	17.00%	2.00%

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

(c) Payables
 Borrowings

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

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

	2012	2011			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	215,703	0	0	215,703	215,703
Borrowings	55,571	181,477	127,994	365,042	296,562
	<u>271,274</u>	<u>181,477</u>	<u>127,994</u>	<u>580,745</u>	<u>512,265</u>
Payables	134,114	0	0	134,114	134,114
Borrowings	34,293	119,855	32,406	186,554	151,262
	<u>168,407</u>	<u>119,855</u>	<u>32,406</u>	<u>320,668</u>	<u>285,376</u>

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

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
 Borrowings (Continued)

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

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

	<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 2012								
Payables								
Borrowings								
Fixed Rate	5,564	0	0	0	61,178	229,820	296,562	5.37%
Debtures								
Weighted Average	5.46%	0.00%	0.00%	0.00%	6.76%	5.00%		
Effective Interest Rate								
Year Ended 30 June 2011								
Payables								
Borrowings								
Fixed Rate	0	10,829	0	0	74,072	66,361	151,262	6.54%
Debtures								
Weighted Average	0.00%	5.46%	0.00%	0.00%	6.76%	6.48%		
Effective Interest Rate								

INDEPENDENT AUDIT REPORT 30TH JUNE 2012



INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF VICTORIA PLAINS

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Victoria Plains, which comprises the statement of financial position as at 30 June 2012, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

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

- a giving a true and fair view of the Shire's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF VICTORIA PLAINS (Continued)**

Report on Other Legal and Regulatory Requirements

During the course of the audit we became aware of the following instance where the Council did not comply with the Local Government Act 1995 (as amended).

Usage of Reserves

Council's did not give one month's local public notice of the proposed change in use of funds in the housing reserve to fund the Calingiri sports ground upgrade as required by Section 6.11(2)(b) of the Local Government Act.

Other Matters

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

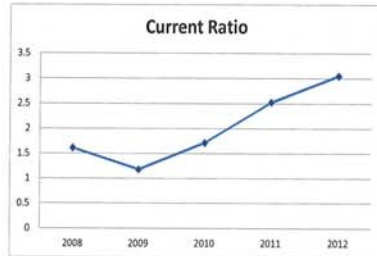
- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) Except as detailed above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.


UHY HAINES NORTON
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Date: 26 September 2012
Perth, WA

FINANCIAL RATIOS AS AT 30TH JUNE 2012



$$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$$

A ratio of > than 1 (100%) indicates the Shires assets can meet creditor demands.

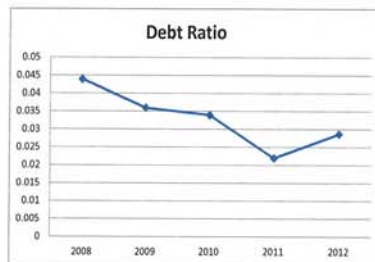
A ratio of < than 1 indicates the Shire might have funding issues in the payment of debt.



$$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$$

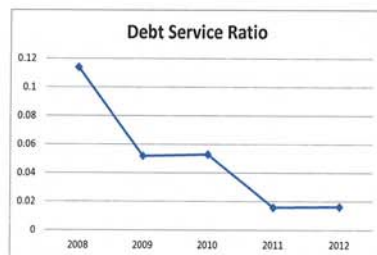
As per the Current Ratio a ratio > 1 indicates cash holdings are in excess of the Shires obligations.

A ratio < 1 indicates the Shire could have cash flow problems.



$$\frac{\text{total liabilities}}{\text{total assets}}$$

In the context of Local Government the asset value is heavily weighted by infrastructure assets hence the low value.

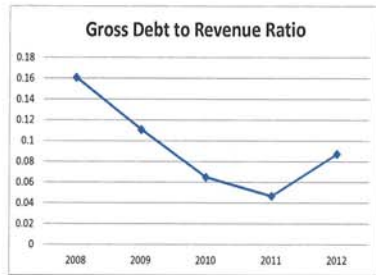


$$\frac{\text{debt service cost}}{\text{available operating revenue}}$$

Debt service cost is made up of:
 Loan principal payments
 Loan interest payments
 Interest payments on overdrafts

Available operating revenue comprises total operating revenue less specific purpose grants.

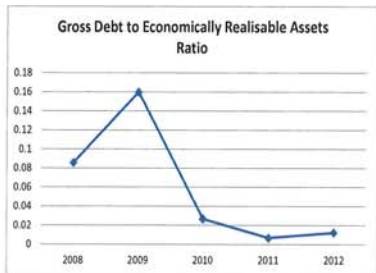
Note:
 The high influence in 2008 / 2009 resulted from the decision to clear a number of debts before the contractual completion date, thus freeing up funds. This therefore had a strong impact on the 2009 / 2010 value and 2010 / 2011 where also other debts have been cleared.



$$\frac{\text{gross debt}}{\text{total revenue}}$$

Compares the amount of debt against total revenue.

The lower the debt the greater the ability to cover loan liability from the Shires funds.



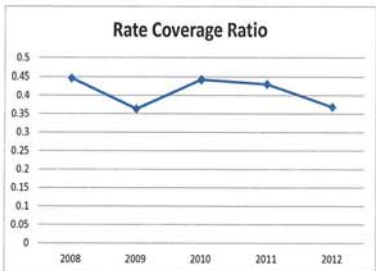
$$\frac{\text{gross debt}}{\text{economically realisable assets}}$$

Economically realisable assets = total assets less infrastructure assets

Illustrates the Shires debt as a portion of assets also illustrates the reliance on debt to fund new projects and gives a good indication of capacity to borrow.

The lower the ratio the better.

Ratios up to 30% (0.30) are considered strong and manageable.

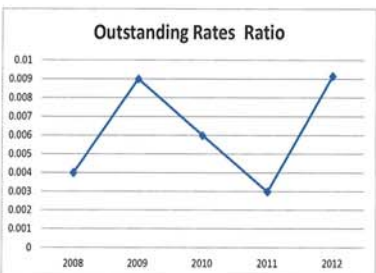


$$\frac{\text{net rate revenue}}{\text{operating revenue}}$$

Indicates the Shires funding derived from rates.

0.4 (40%) is considered the acceptable level of rate funding for local government

The greater the ratio the less reliance on grants to fund activities.



$$\frac{\text{rates outstanding}}{\text{rates collectable}}$$

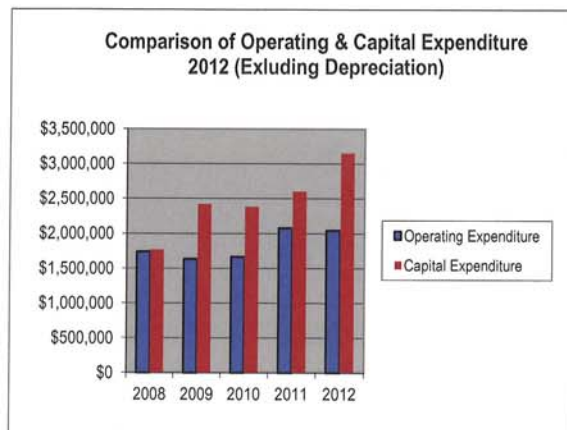
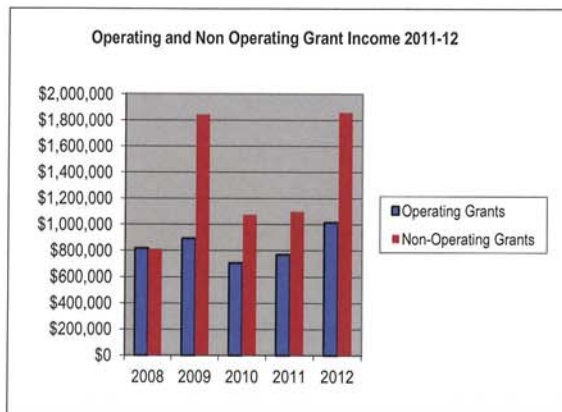
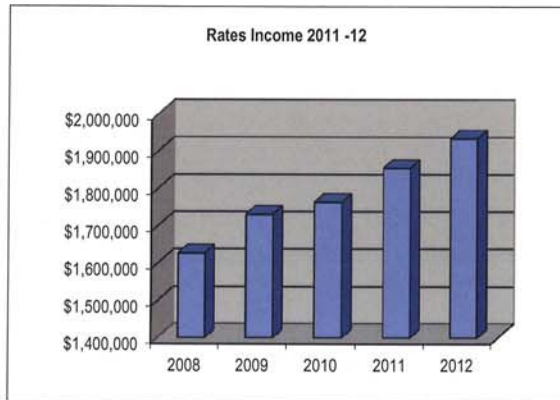
Helps to determine the Shires rate collection methods.

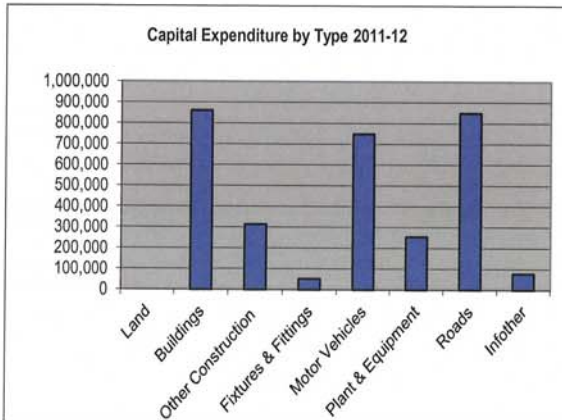
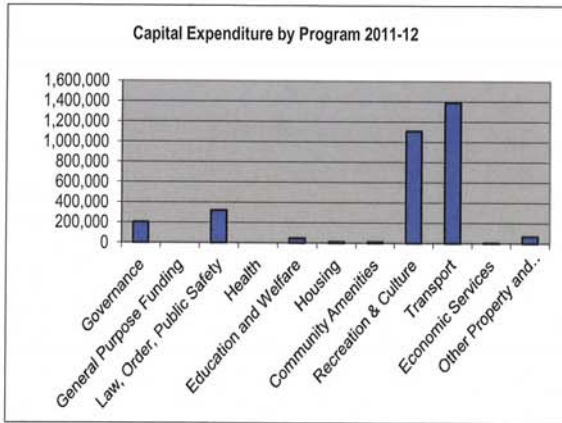
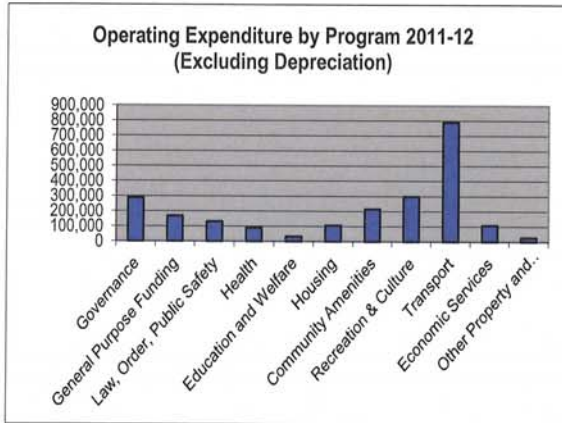
The lower the ratio the better.

Ideally the number should be below 0.05 (5.0%) at end of the financial year, and the Shire ratio has been well below this level for the period of the graph.

OPERATING AND CAPITAL COSTS 2012/2013

**Shire of Victoria Plains
Operating and Capital Costs 2011-12**





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



Cr Steven Young
Retires 2015

Cr John Brennan
Retires 2013

East Ward



Cr Barry Johnson
Retires 2013

Cr David Smith
Retires 2015

South Ward



Cr Geoff Erickson
Retires 2013



Cr David Holmes
Retires 2015

West Ward



Cr David Lovelock
Retires 2013

Cr Laurie Rive
Retires 2015



Cr Jim Kelly
Retires 2013

STAFF

Senior Staff

Chief Executive Officer	Mr Harry Hawkins
Manager of Finance and Administration	Mr Neil Hamilton / Mr Ian Graham
Works Manager	Mr Clive Lovell / Mr Greg Stephens
Health, Building and Planning	Mr Grayson Hindmarsh (Building)
	Mr Glenn Sargeson (Health)
	Mr Brendan Jeans (Planning)

Office Staff

Executive Assistant	Mrs Fiona Watson
Senior Finance Officer	Mrs Susan Mills
Finance Officer/Rates	Mrs Meryl Robertson
Administration/Library Officer	Mrs Jenni Harris

Field Staff

Grader Drivers	Mr Garry Stewart
	Mr Michael Hyatt
	Mr Michael Oakley
Plant Operators	Mr Richard Smith
	Mr Robert Obrien
	Mr Don Bald
Town Maintenance/Plant Operator	Mr Don Westlake
Building Maintenance Officer	Mr Paul Spowart
Depot Clerk	Mr Dean Shales

Caravan Park Caretaker -Calingiri Ms Lisabeth Hooper

Caravan Park Caretaker -Bolgart Mrs Annette Lee

Librarians—Mogumber Mrs Phyllis Toms
Mrs Joan Harvey

Librarians—Bolgart Mrs Sue Ludemann
Ms Rosina Ainsworth

STATISTICS AND FACTS

Area	2,563km ²
Distance from Perth	140km
Population	942
Number of Electors	596
Number of Dwellings	455
Towns:-	Bolgart Calingiri Gillingarra Mogumber New Norcia Piawaning Yerecoin
Local Industries:-	Wheat Barley Canola Lupins Hay Oats Sheep Cattle Pigs Tourism
Length Sealed Roads:-	230.42 km
Length Unsealed Roads:-	590.00 km

Shire of Victoria Plains

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