



Department of **Local Government**  
Department of **Regional Development and Lands**



## Shire of Mingenew Long Term Financial Plan 2012 - 2022



# Preface



## Reliance

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## Acknowledgement

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*If you seek further information or have any questions relating to this Plan please contact:*

The Shire of Mingenew  
PO Box 120  
Mingenew WA 6522  
Ph: 08 9928 1102  
Fax: 08 9928 1128  
Email: [finance@mingenew.wa.gov.au](mailto:finance@mingenew.wa.gov.au)  
[www.mingenew.wa.gov.au](http://www.mingenew.wa.gov.au)

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# Foreword

## Shire President

[Example content only]

I am very pleased to present to the Community the Shire of Mingenew Long Term Financial Plan for the period 2012-2022.

Insert  
Picture

The Plan is part of the Shire's ongoing commitment to an integrated approach to planning for the District's future. It provides the Council and the community with a picture of the Shire's long term financial circumstances and assists us to meet the outcomes, objectives and strategies. Detailed in our Strategic Community Plan.

The Shire will encounter many challenges and opportunities over the next 10 years. Limited population growth and changes in population demographics result in changing community needs and expectations. The Council will require a clear understanding of its capacity to meet these service expectations as it maintains a strong focus on sound financial management.

The Council welcomes community participation as we plan for the future of our District. I invite members of the Community to contact the Council staff or a Councillor if they have any questions.

Regards

Michelle Bagley

## Chief Executive Officer

[Example content only]

The Shire of Mingenew's Long Term Financial Plan is an important financial tool as we strive to achieve the strategies set out in the Council's Strategic Community Plan.

Insert  
Picture

The Plan will be used with the Corporate Business Plan, Asset Management Plan and Workforce Plan to achieve our vision and desired outcomes.

The Shire has recently devoted significant resources into improving its strategic planning in line with the State reform agenda for local government. We have also investigated ways to improve services to the Community by resource sharing and collaboration with neighbouring local governments. This work continues as we constantly seek to improve our systems and service delivery.

The staff have worked closely with the Council to prepare this Plan and to highlight the financial issues that will require decisions in the future. I thank the staff for their effort in producing this comprehensive document.

Best Wishes

Mike Sully

# Executive Summary

## *Planning for a Sustainable Future*

The Shire of Mingenew is planning for a positive and sustainable future. The Shire seeks to maintain, and where possible, improve service levels into the future while maintaining a healthy financial position.

## *Financial Summary*

### *Operations*

The Plan predicts a positive net result from operations for each year of the plan apart from 2018/19. However, this result is heavily influenced by grants forecast to be received for various capital projects.

### *Rates*

Rates revenue is forecast to increase by inflation plus 3% and is consistent with annual increases that have been applied in the past. As population is forecast not to increase there will be no growth in rates attributable to population.

### *Grants*

Grants and contributions for operations are expected to total \$1.038m in year one and then increase by 4% per annum, or inflation, thereafter. Capital Grants are forecast to be \$2.683m in year one and will vary over the next six years as grants are obtained for various projects.

### *Financing*

The balance of reserve funds are forecast to increase from \$0.218m to \$0.414m over the 10 years and outstanding borrowings will also increase from \$1.165m to \$1.673m.

## *Assumptions*

The Plan has been prepared based on the following broad assumptions:

- The Shire will maintain its current service levels and, where financially prudent, increase services.
- The level of grants and contributions for capital projects and operations will remain relatively stable over the term.
- The district and State economy will remain stable.
- No major changes in the level of services are expected over the life of the Plan.

Assets are expected to be adequately maintained and continue to provide existing levels of service. The Shire is a participant in the current local government reform process with the Shires of Morawa and Three Springs. The impacts of these discussions on the methods of delivery of services are currently unknown and the impact of potential change has not been considered within this Plan.

## *Strategic Financial Issues*

The Shire has responsibility for the maintenance of a large asset base including a

significant part of the district's road network. To undertake this task the Shire receives substantial external grants from the National and State Government. Without this source of revenue the Shire would be faced with the prospect of a substantial rate increase and/or a significant reduction in service levels.

Current forecast capital grant levels and available Shire funds are not considered adequate to renew infrastructure assets, based on the current rate of depreciation, over the long term.

## *Major Projects*

The Council has a number of major projects planned during the course of this plan including the expansion of the Recreation Centre, accommodation for the aged, a new works depot, a water park, toilets for the recreation ground and a refurbishment of office accommodation.

These projects are in addition to the road works renewal and upgrade program and the allocation of expenditure to renew the Shire's building assets.

# Introduction

## Planning Framework

This Long Term Financial Plan has been prepared to achieve compliance with the *Local Government (Administration) Regulations 1996*.

Development of the Plan has also been influenced by the Department of Local Government's Framework and Guidelines for Long Term Financial Planning.

## Background Statistics

Situated approximately 380 km north of Perth the Shire of Mingenew includes the locality of Yandanooka and the town of Mingenew.

Key Statistics: Shire of Mingenew 2012

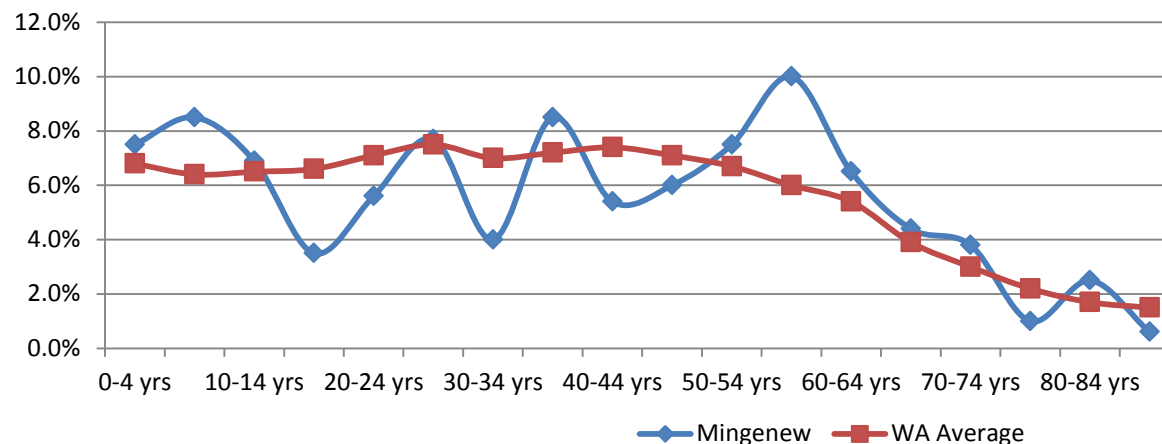
## Community

Mingenew is a traditional agricultural community located 50km from the coast and is the entrance to the Midwest wheat belt.

Broadacre cereal and legume crops is the predominant agricultural enterprise. An increase in mining activity in the region is providing some diversity for the economy.

The Coalseam Conservation Park, situated north of the town was the site of WA's first coal discovery. Providing a spectacular show of everlasting and other wildflowers the Park attracts many visitors with its limestone cliffs, riverbed and carved gorges providing a year round attraction.

**Graph 1** Shire of Mingenew Resident Population by Age Group



Data Source: Australian Bureau of Statistics 2011 Quickstats

When compared to the State average population, the Shire has a higher percentage of people under the age of 10 and a lower percentage of people between the age of 15 and 24 years of age. The lack of secondary and tertiary education facilities within the district is considered the main reason for the low percentage of young adults. The number of people in the 30 to 34 and 40 to 49 age groups is also lower. However, the number of people in the 50 to 74 year age group is higher and suggests a need for continued investment in facilities and services for the aged.<sup>3</sup>

<sup>1</sup> WALGA, The West Australian Local Government Directory 2012.

<sup>2</sup> Australian Bureau of Statistics, 2011 Census Quickstats – Mingenew (S) Code LGA55530 (LGA)

<sup>3</sup> Australian Bureau of Statistics, 2011 Census Quickstats –

### Key Statistics: Shire of Mingenew 2012<sup>1</sup>

Number of Elected Members	7
Number of Staff	18
Annual revenue (\$)	3.9 m
Rates revenue (\$)	1.1 m
Number of Electors	365
Number of Dwellings	238
Distance from Perth (km)	380
Area (sq. km)	1,927
Length of sealed roads (km)	191
Length of unsealed roads (km)	327
Population (2011 ABS Census)	480

# Introduction

## *Service Programs*

The Shire provides a wide variety of services to the community. The following service program descriptions are used in the Plan to identify these services.

**Governance** – Activities and facilities to support elected members (councillors) in their governance role and Council functions.

**General Purpose Funding** – Activities associated with levying and collecting rates, general purpose grants and interest on investments.

**Law, Order and Public Safety** – Services principally associated with the Shire Rangers. This includes administration and implementation of various local laws, animal control (licensing and enforcement), fire prevention and emergency services.

**Health** – Medical services, immunisation services, monitoring of food quality and licensing of food premises and pest control measures. Environmental Health services.

**Education and Welfare** – Activities for the operation of child minding centre and pre-schools, senior citizens' services including HACC services and aged persons accommodation.

**Housing**- The provision of employee housing and rental community housing.

**Community Amenities** – The operations of waste services (rubbish collection, disposal and recycling), inspection of septic tanks, cemeteries, town planning and development and urban storm water drainage functions.

**Recreation and Culture** – The operation and maintenance of halls, recreation centre, swimming pool, sports grounds, ovals, parks and reserves throughout the district. The operation and maintenance of the library and other cultural activities is also included.

**Transport** – Maintenance of streets, roads, bridges, drainage, parking areas and footpaths including street cleaning and lighting of streets. Activities associated with operation of the works depot are also included.

**Economic Services** – Building control services (licences), support for the local tourist centre, area promotion and economic development initiatives under taken by the Shire.

**Other Property and Services** – Work undertaken by the Shire for external customers. Operating costs for Shire's plant and equipment. Labour overheads for works and services. Administration Overheads and all other activities.

No services are expected to cease or be the subject of major modification over the term of the Plan.

## *Nature or Type*

A number of statements in the Plan are disclosed using nature or type of descriptors of revenue and expenditure (for example Rates and Employee Costs).

This classification is in accordance with Schedule 1 of the Local Government (Financial Management) Regulations 1996.

# Introduction

## *Financial Statements*

The forecast financial statements described below have been included toward the end of the Plan.

These forecast statements have been prepared within a framework which accords with the Australian Accounting Standards.

## *Statements of Comprehensive Income*

Often referred to as the operating statement, it shows the revenues and expenses over the periods classified by two methods (by Program and Nature or Type) to disclose a net result and total comprehensive income.

## *Statement of Financial Position*

Previously referred to as the Balance Sheet, this statement discloses the forecast changes in the balance of assets and liability accounts over the periods.

## *Statement of Changes in Equity*

This statement discloses the changes in equity over the forecast period. It shows the impact of operations on net assets and the movement in cash backed and revaluation reserves.

## *Statement of Cash flows*

Represents the forecast cash inflows and outflows and discloses the changes to the balance of cash over the period.

## *Statement of Funding*

A statement combining operating and capital revenues and expenses and discloses the opening and closing net current budget surplus (deficit) funding position for each year.

## *Statement of Movement in Fixed Assets*

A summary of the impact of the Plan on the value of fixed assets over the period. It discloses the movements in the net value of property, plant, and equipment and infrastructure.

## *Review*

The Plan will be revised annually and take into account any changes to the Shire's Strategic Community Plan, Corporate Business Plan or other informing Plans such as the Workforce Plan or Asset Management Plans.





## Linkage with other Plans

The Long Term Financial Plan is one component of a number of integrated strategic planning practices the Shire has developed, or is developing, in response to the Department of Local Government's Integrated Planning and Reporting Framework.

This Plan includes, and influences, other strategic planning activities as a mechanism to action the strategies contained in Shire's Community Strategic Plan. The Plan links to other Strategic documents as follows.

### Strategic Community Plan

The Council has developed a Strategic Community Plan to replace its Plan for the Future.

The Strategic Community Plan covers at least the next 10 years and sets out the Community's vision, aspirations and values. To achieve the vision, a series of desired outcomes and strategies were developed. Many strategies may be required to achieve a single outcome and many outcomes needed to achieve a single objective as represented in the diagram to follow.

### Strategic Community Plan structure



The individual strategies all require actions that may require additional human and physical resources. In addition, achieving these strategies may require a series of actions over time and may not be able to be achieved concurrently taking into account limited financial resources.

To achieve the Shire's strategic outcomes requires careful operational planning and prioritisation. This planning process is formalised as a Corporate Business Plan which operates on a rolling 4 years basis.

### Corporate Business Plan

The Corporate Business Plan contains details of the actions and resources (human and financial) to achieve each outcome. It is a rolling 4 years Plan which acts as an organisational guide to the Council and management.

The financial capacity to undertake these tasks is evidenced in the **Long Term Financial Plan** for the period. This long term financial planning provides an assurance the actions contained in the Corporate Business Plan can be adequately resources over the next 4 years and highlight the long term consequences of the application of human and financial resource to undertaking various projects.

The first year of the 2013-14 Corporate Business Plan will be 'sliced off' to form the draft annual budget for consideration by the Council.

### Forward Capital Works Plan

The Shire has developed a five year Forward Capital Works Plan. This Forward Capital Works Plan incorporates expenditure estimates for the main asset classes and has been an information source for the capital program as set out in this Plan.

## *Linkage with other Plans (cont.)*

### *Workforce Planning*

A workforce Plan is to be developed to set out the level of human resources required to achieve the actions contained in the Corporate Business Plan and the requisite skills, training, qualifications expertise.

The financial impact of the current level of human resources has been incorporated into this Long Term Financial Plan.

### *Asset Management Planning*

The Shire of Mingenew is to develop formal Asset Management Plans for the following asset classes:

- Infrastructure; and
- Buildings.

In addition to setting service standards for these assets, the Plans contain work schedules that apply financial resources to the renewal of assets over the next 10+ years.

These renewal schedules will generally influence the Shire's Forward Capital Works Plan which in turn is used as a basis for forecasting capital expenditure.

## *Other Plans*

A 10 year Plant Replacement Program has been developed as part of the long term financial planning process and is the plant replacement input into this Plan.

### *Major Variations in Service Levels*

The Shire of Mingenew does not have any plans, or envisages the need, to significantly vary the level of services provided to the community over the life of this Plan.

### *Relevant Council Policies*

Council has no formal policies regarding long term financial planning, borrowings or asset renewal priorities.



# Major Assumptions

## Major Assumptions

The following is a summary of the major assumptions relevant to the development of this Plan. Full details of all assumptions are presented later in the Plan.

The forecast financial information presented should be read in conjunction with all assumptions to gain an understanding of the limitations of the financial forecasts.

### Inflation Forecasts

The West Australian Local Government Association (WALGA) economic briefing issued in January 2012 forecasts CPI to increase through 2012/13 including an increase associated with the introduction of the Carbon Tax in July 2012.

The higher than average levels of wages and construction costs in the local government industry are forecast by WALGA to result in the Local Government Cost Index increasing to 4.0% in the year ended June 2013.

Current economic instability makes estimation of inflation over the longer term difficult. The current forecast level of 4% is viewed as appropriate for the purposes of this long term financial

### Interest Rate Movements

Current borrowings are based on fixed interest rates and will not be affected by market movements in interest rates over the life of the Plan.

Future borrowings included in this Plan have been based on an interest rate of 6.50% which is higher than the rates currently offered by WA Treasury but in line with rates on other borrowings.

Interest rates on investments have been forecast at 5% in line with current term deposit rates offered by major banking institutions. Movements in this rate will have minimal impact on the operating cash position however interest earnings on cash backed Reserves would be directly impacted by a major variation to this assumption.

### Service Levels and Delivery

In order to manage population growth across a range of demographics current service levels are forecast to be maintained, and where finances permit, increased in relation to services that support health and aged service.

### General Economic Forecasts for State and Region

The economic forecast for the State and region is closely linked to the success of the mining industry and demand for minerals.

Historically, the region's economy is heavily dependent on agriculture and this remains the assumption for the term of this Plan.

Developments in broadacre farming and consolidation of land holdings have generally resulted in declining populations within the region. Although the Shire's population has not declined, statistics confirm there has been minimal growth.

### Population Movements

The estimated resident district population of 480 was obtained from the 2011 ABS Census and shows a minimal increase compared to the 2006 Census population of 471.

Based on historical trends no increase in population levels is assumed for the duration of this Plan.

# Scenario Modeling

## Scenario Modeling

Scenario modeling was undertaken by applying varying assumptions as part of the consideration of the possible alternative outcomes and potential for financial variation.

These scenarios were developed to test the financial impact of applying a pessimistic (No Growth); moderate (Low Growth); and an optimistic approach (High Growth) level approach to population, revenues, expenditure and asset development.

Details of the assumptions used in each scenario are presented in the following pages and a summary of the impact of each scenario on the Shire's financial position is summarised below:

### No Growth Scenario

An increase in rates of 3% above inflation and no increase in rates resulting from population growth. Increases in operating grants were in accordance with advice from the Grants Commission for the first year and are then increased by inflation only. Net funding from operations is negative for the term of this Plan.

The scenario has included the capital projects detailed in the Shire's Forward Capital Works Program although their timing has been altered. Ongoing annual expenditure include road renewal and upgrade works and an allocation for building renewal. Major projects over the course of the plan include

staff housing, a water park, toilet facilities at the recreation ground, expansion of the recreation centre, aged persons accommodation, a new works depot and refurbishment of the Shire's office accommodation. Grants are expected to fund some of these projects and funds in reserves will also be used. New loan borrowings will be required to partly fund the recreation, aged accommodation and depot projects.

Investment in building projects results in the WDV of property, plant & equipment increasing from \$7.124m to \$10.562m. While the WDV of infrastructure remains fairly constant at about \$37m.

New loan borrowings results in loan principal outstanding increasing from \$1.165m to \$1.673m. Despite reserves being used to partly fund some capital projects, reserve balances are expected to increase from \$0.218m to \$0.414m over the term of the plan.

### Steady Low Growth Scenario

An increase in population of 0.5% per annum from 2013/14 results in rates increasing by 3.24% above inflation

The capital works program and its funding sources are the same as the no growth scenario. However due to additional rate revenue the quantum of borrowings required in the final years of the plan has been reduced. Loan principal outstanding increases from \$1.165m to \$1.485m and the balance of

reserves increases from \$0.218m to \$0.470m. by the end of the plan.

### High Growth Scenario

An increase in population of 1% per annum from 2013/14 results in rates increasing by 3.47% above inflation.

Operating grants, capital grants and capital expenditure are the same as the other scenarios. Additional rates income allows loan borrowings to be reduced. Loan principal outstanding increases from \$1.165m to \$1.249m and the balance of reserves increases from \$0.218m to \$0.483m. by the end of the plan.

### Selected Scenario

At their November 2012 Concept Forum, Council selected the **No Growth scenario** as having the characteristics best reflecting likely future events.

### Sensitivity Analysis

Where it has been assessed a high level of uncertainty applies to the assumption outcomes, sensitivity analysis has been used to help quantify the potential financial impact of a change in the assumption.

Those assumptions with a high level of uncertainty and a higher dollar value present the greatest risk a movement will result in unexpected and detrimental consequence. Refer to the section *Risks, Uncertainties and Sensitivity*, for details of this analysis.

# Scenario Modeling

Disclosure	Assumed level Scenario One No Growth	Assumed level Scenario Two Low Growth	Assumed level Scenario Three High Growth
<b>Revenue Scenarios</b>			
<b>District Population Growth:</b>	No anticipated increase in population. Expectations are that population may decline. Therefore no increase in rates resulting from population growth.	Anticipated increase in population of 0.5% per annum from 2013/14. Slight increase in rates results from this population growth. This increase is a linear relationship with rates increasing at half the rate of the annual population increase.	Anticipated increase in population of 1.0% per annum from 2013/14. Slight increase in rates results from this population growth. This increase is a linear relationship with rates increasing at half the rate of the annual population increase.
<b>Rates Level Increase:</b>	Rates increase in line with inflation plus 3%. Historically, annual rate increases have been in the order of 7% per annum and this scenario continues this trend.	Rates increase in line with inflation plus 3%. Historically, annual rate increases have been in the order of 7% per annum and this scenario continues this trend.	Rates increase in line with inflation plus 3%. Historically, annual rate increases have been in the order of 7% per annum and this scenario continues this trend.
<b>Operating Grants and Contributions:</b>	Increase in year one of 10% for grants to be provided by the WA Local Government Grants Commission. Subsequent years are increased by inflation only.	Increase in year one of 10% for grants to be provided by the WA Local Government Grants Commission. Subsequent years are increased by inflation only.	Increase in year one of 10% for grants to be provided by the WA Local Government Grants Commission. Subsequent years are increased by inflation only.
<b>Non-Operating Grants and Contributions:</b>	Capital Grants are in accordance with an adjusted Forward Capital Works Plan (FCWP). All projects in the FCWP requiring Council funding have been deferred to later years. Road works project's grants have been revised to better reflect Council's available funding to match these grants.	Capital Grants are in accordance with an adjusted Forward Capital Works Plan (FCWP). All projects in the FCWP requiring Council funding have been deferred to later years. Road works project's grants have been revised to better reflect Council's available funding to match these grants.	Capital Grants are in accordance with an adjusted Forward Capital Works Plan (FCWP). All projects in the FCWP requiring Council funding have been deferred to later years. Road works project's grants have been revised to better reflect Council's available funding to match these grants.
<b>Fees and Charges:</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Service Charges</b>	No service charges anticipated.	No service charges anticipated.	No service charges anticipated.
<b>Interest Earnings</b>	Investment rate of 5% per annum.	Investment rate of 5% per annum.	Investment rate of 5% per annum.
<b>Other Revenue</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Profit on Asset Disposal:</b>	Nil predicted.	Nil predicted.	Nil predicted.

# Scenario Modeling

Disclosure	Assumed level Scenario One No Growth	Assumed level Scenario Two Low Growth	Assumed level Scenario Three High Growth
<b>Expenditure Scenarios</b>			
<b>Employee Costs:</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Materials and Contracts:</b>	Increase in line with forecast inflation. Notional amount of \$50,000 for operating and maintenance cost of new facilities included in year 6 and increased to \$100,000 in year 7.	Increase in line with forecast inflation. Notional amount of \$50,000 for operating and maintenance cost of new facilities included in year 6 and increased to \$100,000 in year 7.	Increase in line with forecast inflation. Notional amount of \$50,000 for operating and maintenance cost of new facilities included in year 6 and increased to \$100,000 in year 7.
<b>Utilities</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Depreciation:</b>			
<b>Interest Expense:</b>	Existing borrowings will continue at existing interest rates. New borrowings included for various building projects included in the Forward Capital Works Plan. 6.5% per annum on future new borrowings.	Existing borrowings will continue at existing interest rates. New borrowings included for various building projects included in the Forward Capital Works Plan. 6.5% per annum on future new borrowings.	Existing borrowings will continue at existing interest rates. New borrowings included for various building projects included in the Forward Capital Works Plan. 6.5% per annum on future new borrowings.
<b>Insurance:</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Other Expenditure</b>	Increase in line with forecast inflation.	Increase in line with forecast inflation.	Increase in line with forecast inflation.
<b>Loss on Asset Disposal:</b>	Nil predicted.	Nil predicted.	Nil predicted.
<b>Assets Scenarios</b>			
<b>Revaluations:</b>	Nil predicted.	Nil predicted.	Nil predicted.
<b>Impairment of Assets:</b>	Nil predicted.	Nil predicted.	Nil predicted.
<b>Infrastructure Assets:</b>	High level of grant funding for roads in year one of the plan has resulted in an increase in WDV of infrastructure. Revision of the road works program results in WDV reducing by approximately 0.4% per annum until extra road works expenditure in 2015/16 starts to reduce this margin. Over the course of the plan WDV reduces from \$37.1m to \$36.6m.	High level of grant funding for roads in year one of the plan has resulted in an increase in WDV of infrastructure. Revision of the road works program results in WDV reducing by approximately 0.4% per annum until extra road works expenditure in 2015/16 starts to reduce this margin. Over the course of the plan WDV reduces from \$37.1m to \$36.6m.	High level of grant funding for roads in year one of the plan has resulted in an increase in WDV of infrastructure. Revision of the road works program results in WDV reducing by approximately 0.4% per annum until extra road works expenditure in 2015/16 starts to reduce this margin. Over the course of the plan WDV reduces from \$37.1m to \$36.6m.

# Scenario Modeling

Disclosure	Assumed level Scenario One No Growth	Assumed level Scenario Two Low Growth	Assumed level Scenario Three High Growth
<b>Assets Scenarios (Continued)</b>			
<b>Property Plant and Equipment:</b>	FCWP proposed a building program in the first three years which included office refurbishment, aged accommodation, water park, new depot and recreation centre expansion. These projects are unable to be funded in the timeframes proposed in the FCWP. The revised timeframe for these projects has created some spikes in WDV that coincide with the years these projects are progressed. Over the term of the plan WDV will increase from \$7.1m to \$10.5m.	FCWP proposed a building program in the first three years which included office refurbishment, aged accommodation, water park, new depot and recreation centre expansion. These projects are unable to be funded in the timeframes proposed in the FCWP. The revised timeframe for these projects has created some spikes in WDV that coincide with the years these projects are progressed. Over the term of the plan WDV will increase from \$7.1m to \$10.5m.	FCWP proposed a building program in the first three years which included office refurbishment, aged accommodation, water park, new depot and recreation centre expansion. These projects are unable to be funded in the timeframes proposed in the FCWP. The revised timeframe for these projects has created some spikes in WDV that coincide with the years these projects are progressed. Over the term of the plan WDV will increase from \$7.1m to \$10.5m.
<b>Liability Scenarios</b>			
<b>Borrowings:</b>	New borrowings of \$1.65 million are drawn down over the term of the plan to fund projects identified in the Forward Capital Works Plan. Changing the timing of these projects and therefore the timing of the loans has reduced principal and interest commitments in the plan. Outstanding balance of the loan portfolio peaks at \$1.7 million in year 10.	New borrowings of \$1.45 million are drawn down over the term of the plan to fund projects identified in the Forward Capital Works Plan. Changing the timing of these projects and therefore the timing of the loans has reduced principal and interest commitments in the plan. Outstanding balance of the loan portfolio peaks at \$1.5 million in year 10.	New borrowings of \$1.2 million are drawn down over the term of the plan to fund projects identified in the Forward Capital Works Plan. Changing the timing of these projects and therefore the timing of the loans has reduced principal and interest commitments in the plan. Outstanding balance of the loan portfolio peaks at \$1.4 million in year 6 and decreases to \$1.2m in year 10.
<b>Employee Entitlements:</b>	Nil movement predicted.	Nil movement predicted.	Nil movement predicted.

# Scenario Modeling

Disclosure	Assumed level Scenario One No Growth	Assumed level Scenario Two Low Growth	Assumed level Scenario Three High Growth
<b>Equity Scenarios</b>			
<b>Cash Backed Reserves:</b>	<p>The low balance of reserve accounts does not initially allow reserves to be used to fund projects in the Forward Capital Works Plan. The transfer of surplus funds to Transfers to the Land &amp; Building Reserve has provided funds for the Recreation Centre, Aged Accommodation, Office and Depot projects.</p> <p>Balance of reserves is expected to increase from \$0.2m in year 1 to \$0.4m by year 10. However, during this time over \$1.7m is drawn from reserves to fund capital projects.</p> <p>Interest is re-invested in Reserves.</p>	<p>The low balance of reserve accounts does not initially allow reserves to be used to fund projects in the Forward Capital Works Plan. The transfer of surplus funds to Transfers to the Land &amp; Building Reserve has provided funds for the Recreation Centre, Aged Accommodation, Office and Depot projects.</p> <p>Balance of reserves is expected to increase from \$0.2m in year 1 to almost \$0.5m by year 10. However, during this time over \$1.9m is drawn from reserves to fund capital projects.</p> <p>Interest is re-invested in Reserves.</p>	<p>The low balance of reserve accounts does not initially allow reserves to be used to fund projects in the Forward Capital Works Plan. The transfer of surplus funds to Transfers to the Land &amp; Building Reserve has provided funds for the Recreation Centre, Aged Accommodation, Office and Depot projects.</p> <p>Balance of reserves is expected to increase from \$0.2m in year 1 to almost \$0.5m by year 10. However, during this time over \$2.1m is drawn from reserves to fund capital projects.</p> <p>Interest is re-invested in Reserves.</p>
<b>Revaluation Reserves:</b>	Nil movement predicted.	Nil movement predicted.	Nil movement predicted.
<b>Other Scenarios</b>			
<b>Ownership of Strategic Assets:</b>	Nil predicted changes.	Nil predicted changes.	Nil predicted changes.
<b>Inflators:</b>	4% Per Annum for life of Plan	4% Per Annum for life of Plan	4% Per Annum for life of Plan
<b>Carbon Tax:</b>	Nil impact considered as impact unable to be determined.	Nil impact considered as impact unable to be determined.	Nil impact considered as impact unable to be determined.
<b>Commercial Activities:</b>	Nil predicted.	Nil predicted.	Nil predicted.



## Revenue Forecasts

The Shire's revenue sources are heavily dependent on external grants to support operations and capital investment (50% of total revenue in 2012-13). This revenue source is not within the Council's direct sphere of influence which adds inherent uncertainty to the revenue forecasts.

### General Rates

Rate revenue represents the Shire's greatest discretionary revenue source and is forecast to increase by 7% per annum for the term of the plan. The increase is 3% greater than forecast inflation and is consistent with past practice for increasing rates.

No new specified area rates or differential rates are expected to be created over the life of this Plan.

Projected movement	7%/ annum
Amount(%) 2012-13	\$1.256m (26%)
Amount(%) 2021-22	\$2.308m (47%)

### Untied Grants and Contributions

Untied Grants are those provided without specific restriction on their use and the Shire may determine where untied grant funding is expended. An example of untied grants is the annual financial assistance grants allocated by the the WA Local Government Grants Commission (WALGGC).

In 2012-13 the estimated amount of untied grants was \$627,057 which represents 23% of total operating revenue for 2012-13.

Operating grants are forecast to increase at a rate of 4% per annum. It is not possible to determine with certainty this forecast at present as the new grants calculation methodology has only recently been released by the WALGGC and may impact on the Shire's allocation in the short to medium term.

Projected movement	4.00% /annum
Amount(%) 2012-13	\$0.627m (13%)
Amount(%) 2021-22	\$0.892m (18%)



## Capital Grants and Contributions

Grants and contributions received to fund specific capital works are forecast to reduce in amount and proportion over the life of the Plan. This is a conservative forecast and results from the difficulty in predicting the level of these grants. As they are for a specific purpose, they do not always impact directly on the Shire's operational capacity, the exception being the Shire's capacity to maintain a stable workforce.

Movement	Yearly estimate
Amount(%) 2012-13	\$2.683m (56%)
Amount(%) 2021-22	\$0.492m (10%)

### Fees and Charges

A fee or a charge is the recovery of cost for goods or services provided by the Shire. The level of a fee or charge must be restricted to its cost in specific circumstances (mainly for access to information) but otherwise is not limited. The exception being non-discretionary fees and charges set by external bodies (such as planning fees). To maintain relativity, it is generally assumed fees and charges will follow a similar inflator level as expenses.

Projected movement	4.00% /annum
Amount(%) 2012-13	\$0.400m (8%)
Amount(%) 2021-22	\$0.569m (12%)

# Forecasts

## Expenditure Forecasts

Apart from depreciation the largest single expenditure category for the Shire is employee costs. The Shire employs staff and a workforce to deliver services to the community and maintain public assets.

### Employee Costs

Employee costs are forecast to increase in line with inflation during the term. The Shire is of the opinion future levels of service will be able to be provided by current staffing levels.

Projected movement	4.00%/annum
Amount(%) 2012-13	\$0.894m (27%)
Amount(%) 2021-22	\$1.273m (27%)

### Materials and Contracts

Materials and contracts are also forecast to increase in line with inflation. Any savings from moving towards a planned asset maintenance program are forecast to be offset by increased maintenance requirements from new assets.

Projected movement	4.00%/annum
Amount(%) 2012-13	\$0.835m (25%)
Amount(%) 2021-22	\$1.359m (29%)

## Depreciation

Depreciation is the systematic allocation of the value of assets purchased in the past. It is not a cash payment but it is often used as a proxy for the level of asset depletion. The straight line depreciation method is assumed in the forecasts using average depreciation rates applied to the closing value of fixed assets at the end of each forecast period.

Amount(%) 2012-13	\$1.157m (35%)
Amount(%) 2021-22	\$1.444m (31%)



## Interest

For existing loans the interest expense has been calculated based in the actual debenture interest schedules for each loan. No new loans are forecast to be required.

## Forecast Assumptions

Full details of the major assumptions relevant to this Plan are detailed later in the document under the heading of 'Risks, Uncertainties and Sensitivity'.

## *Risk Management*

The Shire provides a diverse range of services and facilities to the general public which exposes it to risks. As part of the implementation of Integrated Planning and Reporting the Shire intends to formalise its risk based management practices to improve the management of identified risks.

The Shire is in the practice of conducting a regular review of insurance levels of its assets by the Chief Executive Officer, Deputy CEO and Managers to ensure the level is adequate to protect the Shire's assets. The Shire's insurer is LGIS.

Recent amendments to applicable Financial Management Regulations requires the investment of surplus funds (including cash reserves) to be in Term Deposits held by Authorised Deposit taking Institutions based or Treasury Bonds

The Shire seeks to engage experienced and qualified personnel in areas of high risk and provides them with appropriate ongoing training and equipment to ensure they are able to undertake their roles with minimal risk to the Community and the Shire.

## *Certainty of Assumptions*

The Shire has included a detailed analysis of the assumptions used in the preparation of this Plan and the level of risk associated with each assumption.

The impact of the assumptions on issues that are identified as carrying a high risk have been separately disclosed as has the sensitivity of movements in these assumptions on the financial forecasts set out in this Plan.

## *Performance Assessment*

A series of performance indicators in the form of financial ratios have been calculated for the selected scenario.

To maintain comparability across the Industry these ratios and their respective target ranges have been derived from the Department of Local Government's Model Long Term Financial Plan (June 2011).

Selected key ratios from the three scenarios are provided adjacent to demonstrate the variation within each scenario. However as there is little difference between the scenarios apart from population increasing, the graph results are very similar.

Full details of these financial ratios are presented on the following page together with an assessment of the impact of the ratio on the Shire's future financial position.

## *Monitoring*

The Plan will be the subject of a desktop review in May each year to take into account changing circumstances and a full revision is scheduled every two years with the next review being May 2014.

Monitoring of the Shire's financial rigidity and financial position is undertaken by preparing and monitoring various ratios contained in the Annual Financial Report.

# Risk, Monitoring and Performance

Ratio	Indication	Target/ Average	% Yr 1	% Yr 2	% Yr 3	% Yr 4	% Yr 5	% Yr 6	% Yr 7	% Yr 8	% Yr 9	% Yr 10
<b>Current Ratio:</b>  <i>Current assets – restricted assets</i> <i>Current liabilities – current liabilities associated with restricted assets</i>	A measure of the Shires immediate liquidity and the capacity to meet short term financial obligations from unrestricted current assets.	> 100% acceptable  Ave. 59%	57%	57%	56%	55%	59%	59%	59%	62%	61%	64%

Commentary: The ratio is below the target and increases during the term of the Plan. The ratio indicates the need for careful management of financial resources during the term of the Plan.

<b>Operating Surplus Ratio</b>  <i>Operating Result</i> <i>Rates Revenue</i>	The extent to which revenues raised cover operational expenses.	> 0% acceptable >15% Ideal Ave. (47%)	(159%)	(42%)	(43%)	(24%)	(84%)	(41%)	(20%)	(19%)	(18%)	(17%)
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Commentary: The ratio is below the target with the trend for the ratio to decrease further during the term of the Plan. The ratio indicates the need for careful management of financial resources during the term of the Plan.

<b>Own Source Revenue Coverage Ratio</b>  <i>Own Source Operating Revenue</i> <i>Operating Expenses</i>	The Shire's ability to cover costs using only discretionary revenue.	>60% acceptable >90% Ideal Ave 56%	50%	51%	53%	55%	57%	57%	57%	59%	60%	62%
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Commentary: The ratio is below the acceptable range but is improving over time. The ratio provides an indication of a limited capacity to continue to operate at current levels in the event of a sudden loss of grant and other revenue.

# Risk, Monitoring and Performance

Ratio	Indication	Target/ Average	% Yr 1	% Yr 2	% Yr 3	% Yr 4	% Yr 5	% Yr 6	% Yr 7	% Yr 8	% Yr 9	% Yr 10
<b>Debt Service Cover Ratio</b> <i>Operating Result +Interest Expense +Depreciation</i> <u>Borrowings Repayments</u>	The Shire's capacity to generate sufficient cash to cover debt payments.	>2% acceptable >5% Ideal Ave. 4%	3%	4%	4%	4%	4%	5%	5%	5%	5%	5%
Commentary: The ratio is in the acceptable range and improves as existing borrowings are paid off and the operating result improves.												
<b>Asset Sustainability Ratio</b> <i>Asset Renewal</i> <u>Depreciation</u>	The extent to which assets managed by the Shire are being replaced as they reach the end of their useful lives.	>90% acceptable >110% Ideal Ave. 64%	119%	57%	56%	64%	61%	59%	58%	58%	57%	55%
Commentary: Whilst the ratio is below the ideal range limited reliance should be placed on the ratio due to the lack of asset management related data. The ratio does indicate assets are forecast to be renewed at a lower level than depreciation.												
<b>Asset Consumption Ratio</b> <i>Written Down Value</i> <u>Current Replacement Cost</u>	The aged condition of the Shire's physical assets.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Commentary: The lack of accurate asset management data results in an inability to calculate this ratio. n/a = not available due to a lack of values												

# Risk, Monitoring and Performance

<b>Asset Renewal Funding Ratio</b> <i>NPV of planned renewals Expenditure</i> <hr/> <i>NPV of Asset Management Plan Projections</i>	The Shire's financial capacity to fund asset renewal to support existing service levels.														
		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Commentary: The lack of accurate asset management data results in an inability to calculate this ratio.  
 NPV = Net Present Value, n/a = not available due to a lack of values.

# Workforce Planning

## Workforce Planning

The Shire currently employs 18 Full Time Equivalent employees to deliver the range of services to the community and to maintain existing assets.

Currently the Shire has no formal Workforce Plan but one is in the process of development.

No additional staffing resources beyond the 2011/2012 level have been modelled into the Long Term Financial Plan.

The Council encourages work life balance, multi skilling, flexibility and effective application of staff capability.

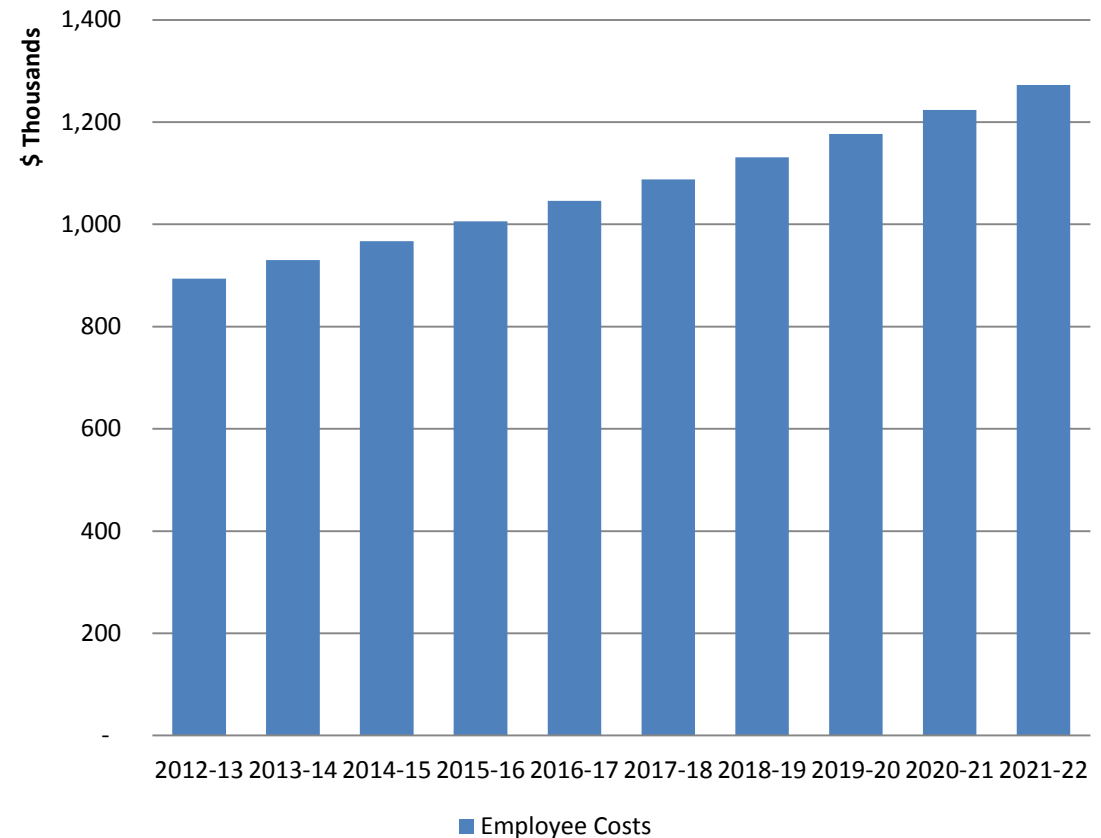
The Council's general workforce strategies include:

- Attracting and retaining quality staff members;
- Building a healthy and safer workplace;
- Developing a comprehensive Workforce Plan; and
- Rewarding successes.

## Change in Employee Costs

Employee costs are forecast to increase in line with inflation over the life of the Plan as reflected in the adjacent graph.

**Graph 4** Forecast Employee Costs



# Financial Summary

## Operations

Graph 5 plots the operating revenues and expenses over the periods as columns and the net result (revenues less expenses) as a line.

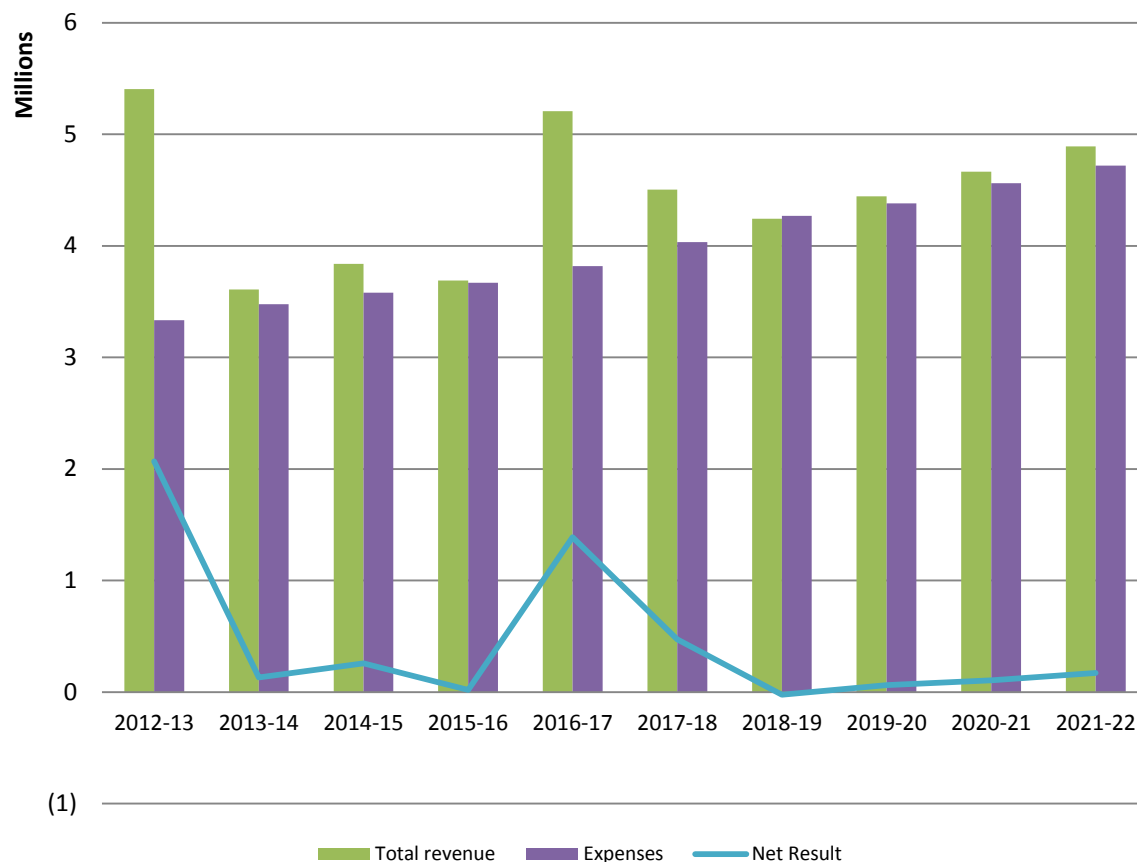
The Shire expects to record a positive operating net result for each year of the Plan, apart from year 7 (2018/19), although this result is much higher in the first five years due to the large amount of grants forecast to be received for capital projects.

While projecting a steady increase in operating revenue and expenses over the period the level of grants and contributions for capital projects results in the variations in the net result.

It should be noted, without the grants and contributions for capital projects the Shire would record a negative operating result for every forecast year, commencing in 2012-13 with negative \$0.614m.

The Shire is also heavily reliant on receiving over \$0.627m in untied federal government grants to maintain the current level of operations and services.

**Graph 5** Forecast Comprehensive Income



(1)



# Financial Summary

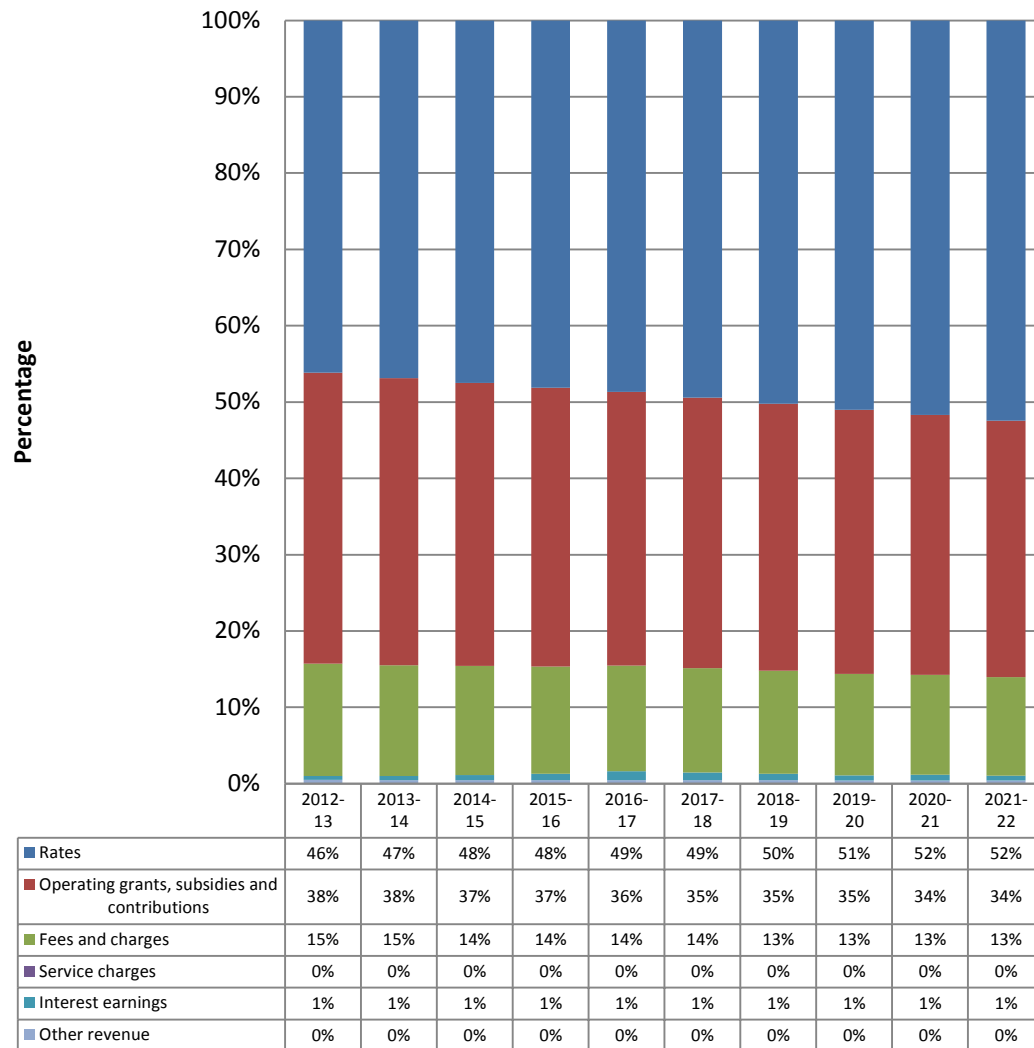
## Revenue Proportions

Graph 6 shows the change in the proportion of operating revenue items over the term of the Plan.

The graph shows a greater proportion of operating revenue being obtained from rates over the course of the Plan. However, this is not significant with the proportion increasing from 46% to 52%. The proportions of the other sources of revenue are also essentially constant for the term of the Plan.

The greatest revenue variation for the Shire occurs for non operating grants to be received for capital projects. However, this source of revenue is not included in this graph as it is not operating revenue.

**Graph 6** Forecast Operating Revenue



# Financial Summary

## Rates Revenue

Rate revenue is forecast to increase by 7% per annum for the term of the Plan. Rates are expected to generate \$1.255m in 2012-13 increasing to \$2.308m in 2021-22.

## Operating Grants

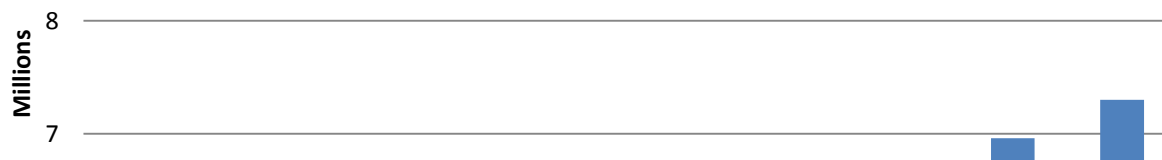
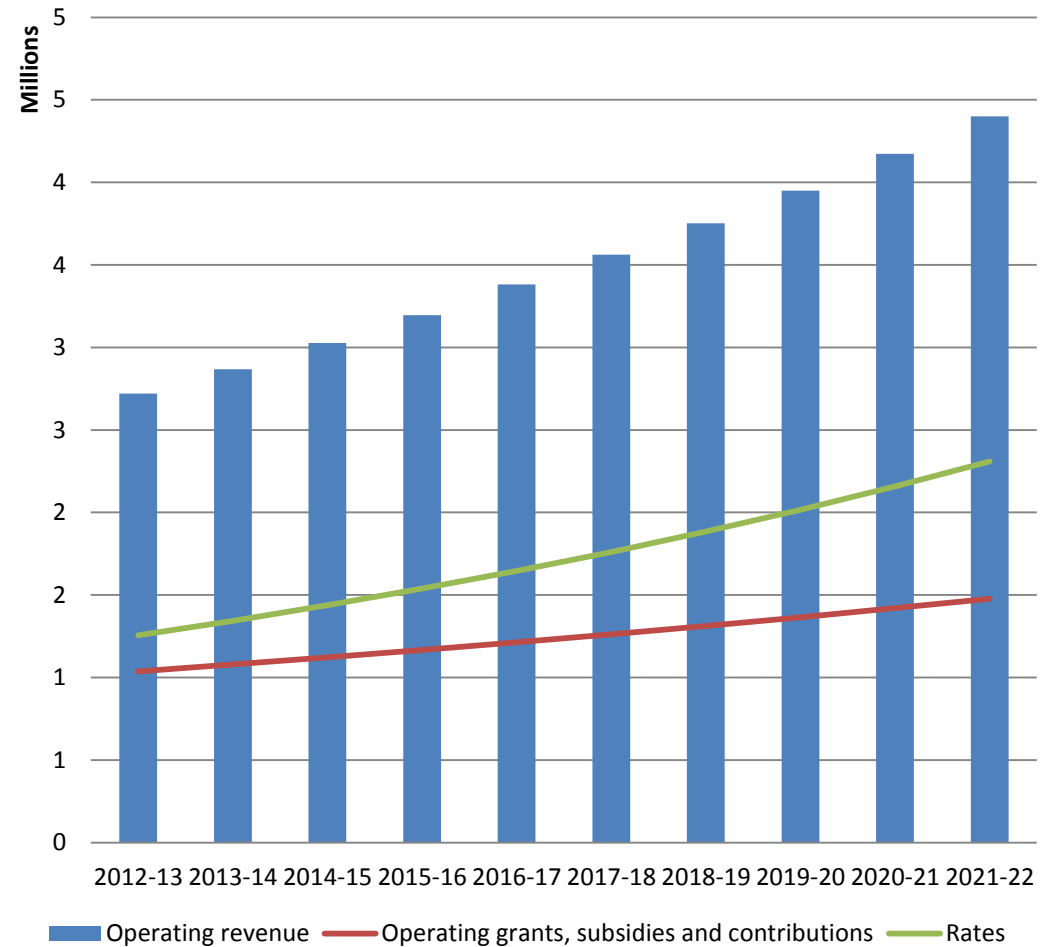
Grants and contribution for operating purposes are planned to increase from \$1.038m in 2012-13 to \$1.477m in 2021-22. The assumption is for a 4% increase annually from year one resulting in a steady progression of revenue.

There is a high level of uncertainty in relation to this forecast as the actual level of grants allocation has not been determined and is subject to the amount of Federal funds allocated to W.A. and the allocation methodology of the WALGGC.

## Capital Grants

Grants and contribution for specific capital projects are expected to vary over the course of the plan in accordance with expected capital works projects. As with operating grants there is a level of uncertainty associated with obtaining these grants.

Graph 7 Forecast Revenue



# Financial Summary

## Expenses Proportions

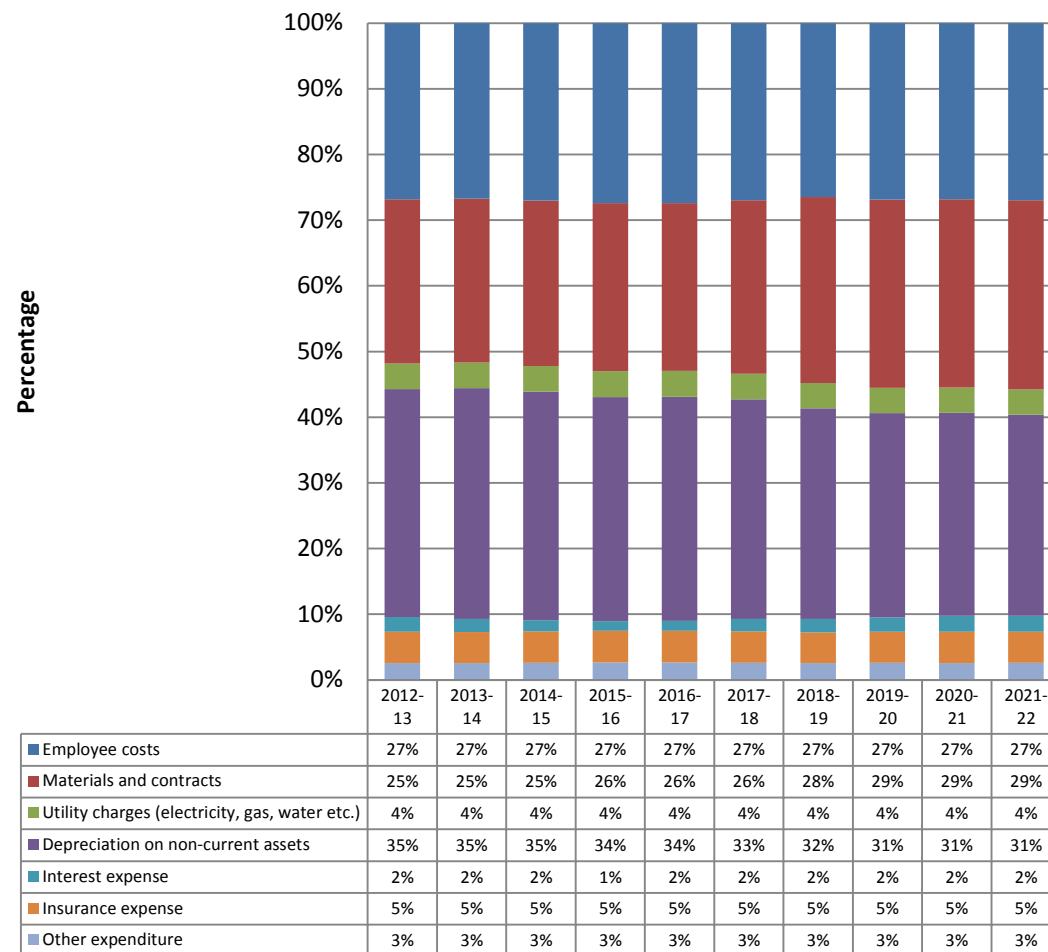
The graph adjacent shows the change in the proportion of operating expenditure items over the term of the Plan.

The components of operating expenditure are expected to remain relatively stable over the period as all are forecast to change by 4% per annum.

Employee costs, materials and contracts, and depreciation are the dominant operating expenditure components making up 27%, 25% and 35% of the costs respectively. The proportion of depreciation decreases over the life of the Plan despite the construction of new assets. The proportion of the other components remains relatively stable over the life of the Plan.

Depreciation expense may vary significantly from current estimates with the required introduction of a policy of valuing fixed assets at fair value.

**Graph 8** Forecast Operating Expenditure



# Financial Summary

## Capital Works

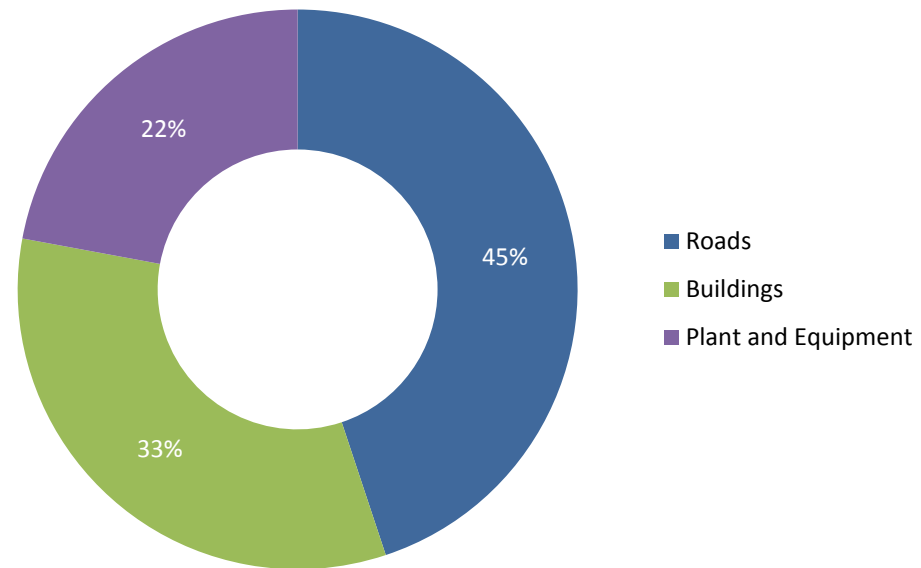
Apart from renewal and upgrade works to the Shire's road network, the majority of the capital expenditure during the forecast period is expended on major building projects.

Over the period the Shire will spend \$20.034m on assets with the majority or \$8.995m of this being spent on roads.

Also represented in the capital spending mix are buildings and plant and equipment.

Roads	\$8,994,982
Buildings	\$6,615,000
Plant and Equipment	\$4,424,500
<b>Total</b>	<b>\$20,034,482</b>

**Graph 9** Forecast 10 Yr Capital Expenditure



# Financial Summary

## Capital Trends

### Asset Renewal

Over the course of the Plan there is a focus on investment in building projects that expand, upgrade and add to the capital base. At the same time renewal of road infrastructure assets is a priority as the Plan allows for an additional \$100,000 per annum to be allocated to road renewal from 2015/16.

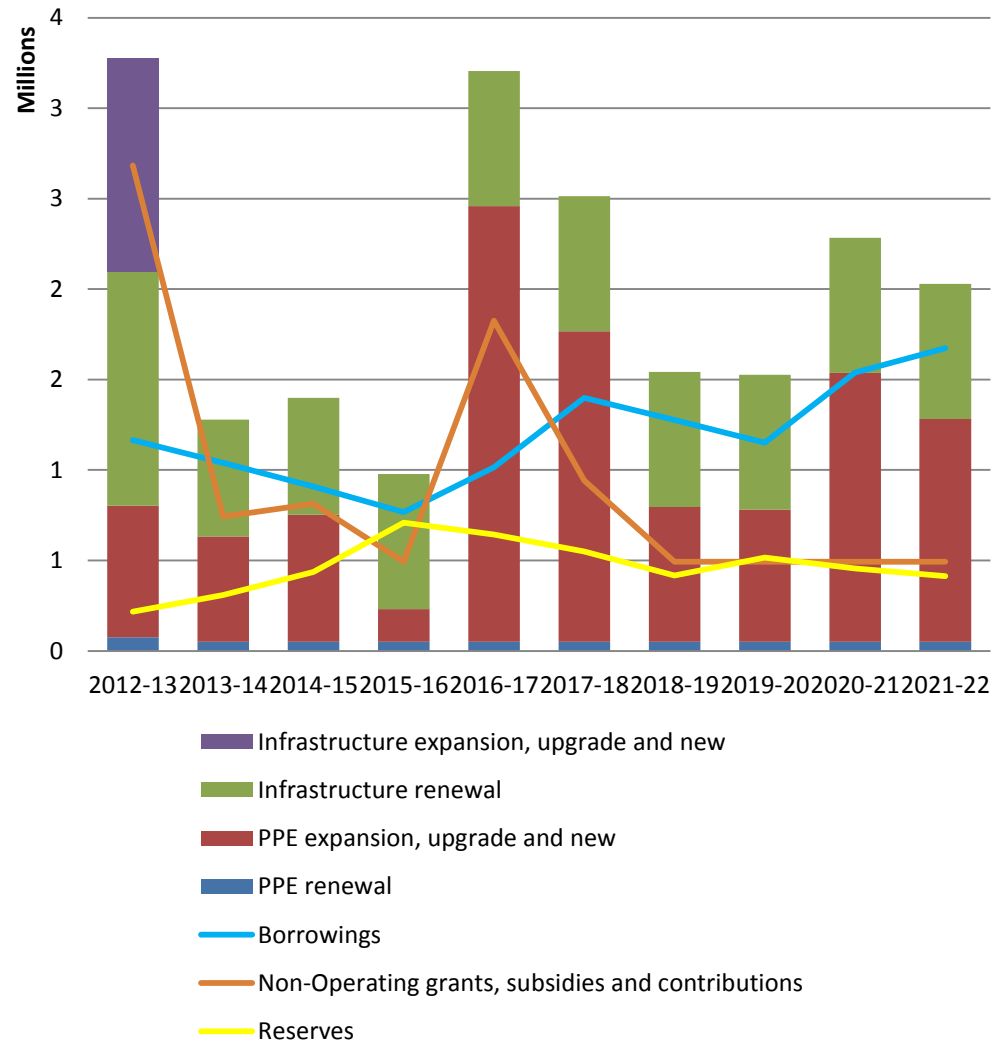
In the absence of completed asset management plans for each class of asset the renewal needs of the district are not formally identified.

### New or expanded assets

To meet the needs of the community for recreation and aged person facilities the Shire's investment in its building program is high.

This level of capital spending requires significant capital grants as is reflected by the orange line. Borrowings are also required to fund this program and these are represented by the blue line. Cash reserves are generally used for projects such as the proposed new works depot and refurbishment of the administration offices. The contribution to capital expenditure from Shire operations is minimal.

**Graph 10** Forecast Capital Expenditure



# Financial Summary

## Financing

The finances of the Shire require grants to be obtained for capital projects and these are generally matched by funds transferred from reserves or, if required, new loans are drawn down.

## Borrowings

The principal outstanding on borrowings increases from \$1.165m to \$1.673m over the term of the Plan. The following loans are proposed to be drawn down:

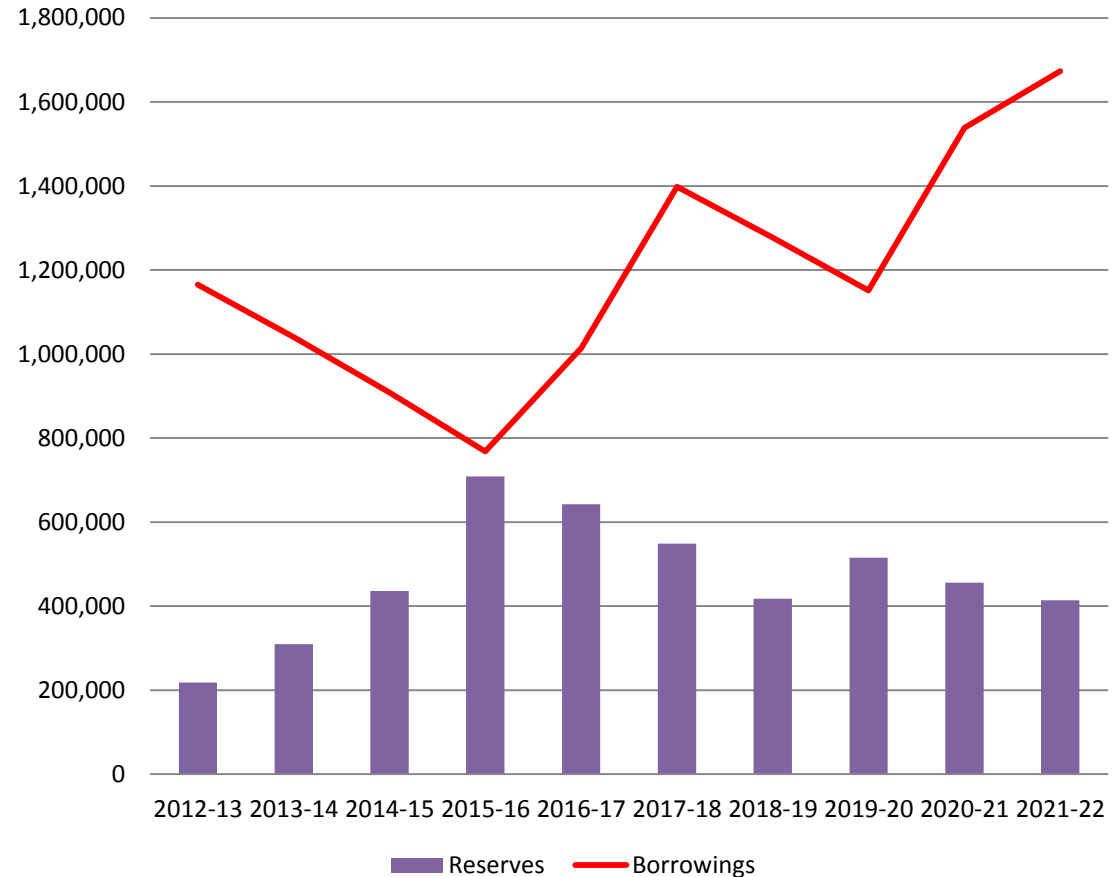
- \$0.400 m for expansion of the Recreation Centre
- \$0.500m for Aged persons accommodation; and
- \$0.750 for new depot.

## Cash Reserves

The balance of cash reserves are forecast to increase from \$0.218m to \$0.414m over the term of the Plan. The majority of the movement relates to the Land and Buildings Reserve which is used to partly fund various building projects. The Plant Reserve is expected to fluctuate significantly as cash is saved to fund major plant purchases.

The low cash reserve levels for most of the Plan leaves the Shire with a reduced capacity to cater for unforeseen capital expenditure requirements.

**Graph 11** Forecast Borrowings and Reserves



# Financial Summary

## Financial Rigidity

Over the life of the Plan the Shire seeks to maintain a balanced funding budget and use increased debt and available cash reserves to fund the capital program.

Generally, the Shire is very reliant on external grants and contributions and would find it difficult to compensate for large negative movements in grants through alternate discretionary revenue sources such as rates. However, it does have the capacity to increase borrowings if necessary.

Historically, the Shire has consistently received external support in the form of grants and contributions for capital projects, particularly road works. Although these grants have been consistently allocated, they do vary in the amount received.

Due to the relationship between the three levels of government, it would be reasonable to assume these grants will continue regardless of the lack of a clear documented long term commitment from the funding bodies. Regardless, the uncertainty surrounding the level of grants and contributions both untied and capital adds risk to long term financial planning outcomes.



## Financial Sustainability

The Shire, through self assessment and after considering the financial trends (as presented in the ratios), considers itself to be financial viable over the life of the Plan.

The Shire holds the expectation it will maintain services commensurate with the communities expectations and needs in the future. However, these demands may result in a financial shock or excessive changes to its current rating policy should they increase significantly.

Over the life of the Plan the fixed asset ratios provide a mixed message as investment in new and upgraded assets shows a generally positive Asset Investment ratio but lack of investment in renewing assets results in a poor Asset Sustainability ratio. This would suggest the Shire is not maintaining its asset base and this may be exacerbated in the future with the need to renew the new assets being developed. A shortage of detail in medium to long term demand analysis and asset management planning makes identifying the renewal needs of assets and the timing of this work unclear.

The Plan sets out recovering reserve levels and reasonable borrowing levels. This improving financial capacity allows the Shire some capacity to react to any currently unplanned renewal works in the absence of detailed asset management plans.

# Risks, Uncertainties and Sensitivity

## Revenue Risks, Uncertainties and Sensitivity.

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<b>District Growth in Rates:</b> The population of the Shire is not expected to increase for the term of this Plan therefore there is no increase in rates resulting from population growth.	Low	The level of population growth and development activity is difficult to forecast and assuming no increase in population is a conservative and reasonable assumption.	Medium	Not assessed.
<b>Rates Level Increase:</b> Annual rates have been based on historical annual increases of 7% and the Plan assumes increases in line with the forecast inflation of 4% per annum plus 3%.	High	Should the community not accept 7% rate increases each year, own source revenue will be impacted and service levels will need to be adjusted.	High	± \$173,474 To the value of rates per 1% movement in the value over the life of the Plan.
<b>Operating Grants and Contributions:</b> Increased by inflation for the term of the Plan.	High	The road maintenance program and general operations of the Shire are dependent on levels of Federal Financial Assistance Grants. Changes in the levels of these grants would impact directly on the Shire's ability to meet projected service levels.	Medium	± \$124,565 To the value of operating grants and contributions per 1% movement in the value over the life of the Plan.
<b>Non-Operating Grants and Contributions:</b> The timing of projects detailed in the Forward Capital Works Plan has been adjusted to better fit possible funding options.	High	The Capital works program requires Government grants and contributions. Changes in these levels would impact directly on funding sources for these projects and possibly the amount spent on capital projects and ultimately impact on service levels.	Medium	± \$94,680 To the value of non-operating grants and contributions per 1% movement in the value over the life of the Plan.
<b>Fees and Charges:</b> Increases are based on expected cost increases assumed to be sufficient for funding purposes. These will be reviewed annually.	Medium	Not assessed.	Medium	Not assessed.
<b>Interest Earnings:</b> Interest earning of an average rate of 5.0% per annum	Low	Not assessed.	Medium	Not assessed.
<b>Other Revenue:</b> Increases in line with inflation.	Low	Not assessed.	Low	Not assessed.
<b>Profit on Asset Disposal:</b> Profit on asset disposal results from a mis-allocation of depreciation over the life of the asset. As the level of depreciation is considered appropriate no profit on asset disposals has been included.	Low	Not assessed.	Low	Not assessed.



# Risks, Uncertainties and Sensitivity

## Expenditure Risks, Uncertainties and Sensitivity.

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<b>Employee Costs:</b> The increase in salaries is influenced by ongoing organisational efficiencies and the current Workforce Plan which is summarised in this document. Costs have been increased in line with inflation.	Medium	Not assessed.	Low	Not assessed.
<b>Materials and Contracts:</b> Costs have been increased in line with inflation for the term of the plan, however maintenance of new and upgraded assets could be required and would result in increased expenditure needs.	High	The road maintenance program and general operations of the Shire are dependent on levels of Federal Financial Assistance Grants. Changes in the levels of these grants would impact directly on the Shire's ability to meet projected service levels.	Medium	± \$107,150 to the value of materials and contracts per 1% movement in the value over the life of the Plan.
<b>Utilities:</b> Base year increased in line with inflation.	Medium	Not assessed.	Medium	Not assessed.
<b>Depreciation:</b> Depreciation has been calculated using an average depreciation rate based on historical depreciation rates. May vary with the introduction of fair value for the measurement of fixed assets.	Low	Not assessed.	Medium	Not assessed.
<b>Insurance:</b> Base year increased in line with inflation.	Medium	Not assessed.	Medium	Not assessed.
<b>Other Expenditure:</b> Base year increased in line with inflation.	Medium	Not assessed.	Medium	Not assessed.
<b>Loss on Asset Disposal:</b> A loss on asset disposal results from a mis-allocation of depreciation over the life of the asset. As the level of depreciation is considered appropriate in the Plan no loss on asset disposals has been included in the Plan.	Low	Not assessed.	Low	Not assessed.

# Risks, Uncertainties and Sensitivity

## Asset Risks, Uncertainties and Sensitivity.

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<p><b>Revaluations:</b> No revaluation of assets has been assumed over the life of the Plan.</p> <p>There is a proposal by the State Government to require asset to be valued at fair value in accordance with the Australian Accounting Standards.</p>	Low	The revaluation of assets to their fair value may result in changes in asset ratio analysis and depreciation leading to a change in the net result. The revaluation of assets will have no impact on Cashflows.	High	<p>± \$110,395 to the value of property plant and equipment per 1% movement in the value over the life of the Plan.</p> <p>± \$89,950 to the value of infrastructure assets per 1% movement in the value over the life of the Plan.</p>
<p><b>Impairment of Assets:</b> No impairment of assets has been assumed over the life of the Plan. Impairment of assets usually occurs due to unplanned or unforeseen events such as natural disasters.</p>	High	A widespread major impairment event may result in a requirement for high levels of expenditure to maintain service levels.	Medium	Unable to be quantified.
<p><b>Infrastructure Assets:</b> Renewals, additions and replacements of infrastructure assets is highly dependent on the level of capital grant funding received.</p>	High	The Capital works program requires Government grants and contributions. Changes in these levels would impact directly on the amount spent on capital projects and ultimately on service levels.	High	± \$67,550 to the value of infrastructure assets per 1% movement in the capital grants received for these assets over the life of the Plan.
<p><b>Property Plant and Equipment:</b> Land and Building Renewals, additions and replacements are highly dependent on the level of capital grant funding available. Plant and equipment replacements influenced by Plant Replacement Program</p>	High	Capital grants for building projects are required although equipment replacement is not influenced by external grant funds.	High	± \$27,130 to the value of infrastructure assets per 1% movement in the capital grants received for these assets over the life of the Plan.

# Risks, Uncertainties and Sensitivity

## Liability Risks, Uncertainties and Sensitivity.

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<b>Borrowings:</b> it has been assumed the Shire will make repayments in accordance with the current debenture schedules. The Plan requires new borrowings to supplement other sources of funds.	High	If the Shire does not receive the capital grants anticipated it may need to increase borrowings. If it is not able to secure borrowings the likely impact will be the cancellation or postponement of related asset acquisitions leading to a reduction in service levels over the short to medium term.	Low	Not assessed.
<b>Employee Entitlements:</b> It has been assumed the Shire will be in a position to meet its obligations in relation to employee entitlements.	Medium	Not assessed.	Low	Not assessed.

## Equity Risks, Uncertainties and Sensitivity.

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<b>Cash Backed Reserves:</b> It has been assumed the Shire will invest cash reserves in term deposits with banking institutions and these funds will be available for use during the term of the Plan.	Low	Not assessed.	Medium	Not assessed.
<b>Revaluation Reserves:</b> No revaluation of assets has been assumed over the life of the Plan.  There is a requirement by the State Government to require asset to be valued at fair value in accordance with the Australian Accounting Standards. This may result in a requirement to revalue asset classes in the future.	Low	The revaluation of assets to their fair value may result in changes in asset ratio analysis and depreciations leading to a change in the net result. The revaluation of assets will have no impact on Cashflows.	High	± \$110,395 to the value of property plant and equipment per 1% movement in the value over the life of the Plan.  ± \$89,950 to the value of infrastructure assets per 1% movement in the value over the life of the Plan.

# Risks, Uncertainties and Sensitivity

## Other Assumptions

Assumption/Disclosure	Assessed Financial Risk	Impact for High Financial Risk Assumptions	Level of Uncertainty	Financial impact and sensitivity for assumption with high level of uncertainty
<b>Ownership of Strategic Assets:</b> The Shire has not planned for the ownership of any strategic assets to be transferred to another party over the term of the Plan. The likelihood of receiving vested roads from subdivision activity is assumed as to be low.	High	Any significant changes to the ownership of strategic assets would require an amendment to this Plan and depending on the circumstance be subject to community consultation.	Low	Not assessed.
<b>Inflators:</b> Inflation factors have been applied to both revenue and expenditure throughout the Plan. These inflators have been derived from management judgment and using available external information sources such as the WALGA local government costs index.	Medium	Not assessed.	High	± \$350,287 to operating revenue per 1% movement in the inflators over the life of the Plan. ± \$267,313 to operating expenditure per 1% movement in the inflators over the life of the Plan.
<b>Carbon Tax:</b> No allowance has been made for the impact of the Federal Governments Carbon Tax. It is assumed the Shire will not be required to pay the tax directly.	Low	Not assessed.	High	The Shire is unable to be determined at present as the impact will largely be indirect.
<b>Commercial Activities:</b> The Shire has no plans to undertake a significant commercial activity during the period of the Plan.	Medium	Not assessed.	Low	Not assessed.

# Major Capital Projects

## Building Projects

Description	Funding Source \$	Projects Benefits and Risks	Est. project Costs \$	Timing
Staff Housing	Grant funding	Improve the availability of staff housing.	360,000	2012-13
Staff Housing	Grant funding	Improve the availability of staff housing.	250,000	2013-14
Recreation Ground Toilets	25% Grant funding 75% Shire funds	Improve the level of service to the community.	80,000	2014-15
Water Park	Grant funding	Improve facilities for the community.	300,000	2014-15
Recreation Centre Expansion	67% Grant funding 13% Reserves 20% Borrowings	Improve the level of service to the community.	2,000,000	2016-17
Aged Person Units	36% Grant funding 24% Reserves 40% Borrowings	Improve facilities for the aged.	1,250,000	2017-18
Office Accommodation Refurbishment	Reserves	Improve office accommodation for staff.	400,000	2018-19
New Works Depot	33% Reserves 67% Borrowings	Improve the level of service to the community.	750,000	2020-21
New Works Depot	67% Reserves 33% Borrowings	Improve the level of service to the community.	750,000	2021-22
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	25,000	2012-13
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2013-14
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2014-15
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2015-16
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2016-17
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2017-18
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2018-19
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2019-20
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2020-21
Building Renewals & Upgrades	Shire funds	Renewal of building infrastructure to maintain current level of service.	50,000	2021-22

# Major Capital Projects

## Road Projects

Description	Funding Source \$	Projects Benefits and Risks	Est. project Costs \$	Timing
Road Program	12% Shire funds 88% Grant funding	Renewal of road infrastructure to maintain current level of service.	1,296,435	2012-13
Depot Hill Crossing	Grant funding	Improve level of service to the community	1,180,632	2012-13
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2013-14
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2014-15
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2015-16
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2015-16
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2016-17
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2016-17
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2017-18
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2017-18
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2018-19
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	150,000	2018-19
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2019-20
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2019-20
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2020-21
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2020-21
Road Program	24% Shire funds 76% Grant funding	Renewal of road infrastructure to maintain current level of service.	646,435	2021-22
Additional renewal works	Shire funds	Renewal of road infrastructure to maintain current level of service	100,000	2021-22

# Statement 1 - Forecast Statement of Comprehensive Income 2012 to 2022

## - by Nature or Type

	2009-10	2010-11	Base	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>													
Rates	1,026,462	1,116,693	1,173,420	1,255,559	1,343,448	1,437,489	1,538,113	1,645,781	1,760,986	1,884,255	2,016,153	2,157,284	2,308,294
Operating grants, subsidies and contributions	1,602,265	967,262	964,731	1,037,523	1,079,023	1,122,183	1,167,073	1,213,755	1,262,303	1,312,796	1,365,308	1,419,919	1,476,715
Fees and charges	844,984	763,857	384,629	400,014	416,014	432,653	449,957	467,955	486,674	506,142	526,390	547,447	569,344
Service charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest earnings	41,931	53,317	39,490	14,151	15,263	19,860	26,152	39,803	36,497	31,823	25,238	30,146	27,174
Other revenue	18,068	12,362	12,500	13,000	13,520	14,061	14,623	15,208	15,817	16,450	17,108	17,793	18,505
	<u>3,533,710</u>	<u>2,913,491</u>	<u>2,574,770</u>	<u>2,720,247</u>	<u>2,867,268</u>	<u>3,026,246</u>	<u>3,195,918</u>	<u>3,382,502</u>	<u>3,562,277</u>	<u>3,751,466</u>	<u>3,950,197</u>	<u>4,172,589</u>	<u>4,400,032</u>
<b>Expenses</b>													
Employee costs	( 687,599)	( 813,410)	( 859,681)	( 894,067)	( 929,829)	( 967,025)	( 1,005,706)	( 1,045,937)	( 1,087,772)	( 1,131,280)	( 1,176,533)	( 1,223,594)	( 1,272,536)
Materials and contracts	( 1,043,811)	( 1,718,341)	( 802,444)	( 834,543)	( 867,929)	( 902,646)	( 938,744)	( 976,292)	( 1,065,343)	( 1,207,952)	( 1,256,275)	( 1,306,524)	( 1,358,788)
Utility charges (electricity, gas, water etc.)	( 87,792)	( 102,625)	( 123,954)	( 128,912)	( 134,067)	( 139,429)	( 145,004)	( 150,806)	( 156,841)	( 163,114)	( 169,639)	( 176,422)	( 183,478)
Depreciation on non-current assets	( 1,040,525)	( 1,085,732)	( 375,770)	( 1,156,909)	( 1,222,642)	( 1,245,700)	( 1,252,192)	( 1,303,045)	( 1,347,836)	( 1,370,341)	( 1,361,948)	( 1,407,667)	( 1,444,255)
Interest expense	( 59,290)	( 62,154)	( 56,767)	( 75,759)	( 68,674)	( 61,158)	( 53,188)	( 57,735)	( 78,319)	( 87,019)	( 95,884)	( 112,544)	( 113,345)
Insurance expense	( 124,094)	( 145,442)	( 151,909)	( 157,984)	( 164,303)	( 170,878)	( 177,710)	( 184,820)	( 192,214)	( 199,904)	( 207,901)	( 216,215)	( 224,862)
Other expenditure	( 72,863)	( 64,607)	( 82,800)	( 86,110)	( 89,559)	( 93,140)	( 96,867)	( 100,744)	( 104,769)	( 108,960)	( 113,320)	( 117,847)	( 122,558)
	<u>( 3,115,974)</u>	<u>( 3,992,311)</u>	<u>( 2,453,325)</u>	<u>( 3,334,284)</u>	<u>( 3,477,003)</u>	<u>( 3,579,976)</u>	<u>( 3,669,411)</u>	<u>( 3,819,379)</u>	<u>( 4,033,094)</u>	<u>( 4,268,570)</u>	<u>( 4,381,500)</u>	<u>( 4,560,813)</u>	<u>( 4,719,822)</u>
	<u>417,736</u>	<u>( 1,078,820)</u>	<u>121,445</u>	<u>( 614,037)</u>	<u>( 609,735)</u>	<u>( 553,730)</u>	<u>( 473,493)</u>	<u>( 436,877)</u>	<u>( 470,817)</u>	<u>( 517,104)</u>	<u>( 431,303)</u>	<u>( 388,224)</u>	<u>( 319,790)</u>
Non-Operating grants, subsidies and contributions	867,653	948,565	1,287,291	2,683,067	742,435	812,435	492,435	1,825,435	942,435	492,435	492,435	492,435	492,435
Profit on disposal of assets	4,928	46,342	389,113	0	0	0	0	0	0	0	0	0	0
Loss on asset disposal	( 27,591)	( 21,963)	( 55,725)	0	0	0	0	0	0	0	0	0	0
<b>NET RESULT</b>	<u>1,262,726</u>	<u>( 105,876)</u>	<u>1,742,124</u>	<u>2,069,030</u>	<u>132,700</u>	<u>258,705</u>	<u>18,942</u>	<u>1,388,558</u>	<u>471,618</u>	<u>( 24,669)</u>	<u>61,132</u>	<u>104,211</u>	<u>172,645</u>
<b>Other Comprehensive Income</b>	0	14,942,758	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>1,262,726</u>	<u>14,836,882</u>	<u>1,742,124</u>	<u>2,069,030</u>	<u>132,700</u>	<u>258,705</u>	<u>18,942</u>	<u>1,388,558</u>	<u>471,618</u>	<u>( 24,669)</u>	<u>61,132</u>	<u>104,211</u>	<u>172,645</u>

# Statement 2 - Forecast Statement of Comprehensive Income 2012 to 2022

## - by Program

	2009-10	2010-11	Base	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>													
Governance	912,111	253,841	104,700	108,888	113,243	117,773	122,484	127,383	132,478	137,777	143,289	149,020	154,980
General Purpose Funding	1,584,322	1,703,643	1,763,512	1,903,458	2,017,263	2,138,256	2,266,911	2,403,730	2,549,252	2,704,052	2,868,742	3,043,976	3,230,453
Law, Order, Public Safety	23,698	23,353	25,430	26,447	27,505	28,604	29,748	30,938	32,175	33,462	34,801	36,193	37,642
Health	7,320	4,040	26,040	1,082	1,125	1,170	1,217	1,266	1,317	1,370	1,425	1,482	1,541
Education & Welfare	71,348	37,881	4,025	4,186	4,353	4,527	4,708	4,896	455,092	5,296	5,507	5,728	5,957
Housing	73,353	87,999	61,329	423,782	316,333	68,986	71,746	74,617	77,602	80,706	83,935	87,293	90,785
Community Amenities	73,303	47,370	163,150	37,908	39,426	61,002	42,642	44,348	46,122	47,968	49,887	51,883	53,959
Recreation and Culture	101,030	64,855	79,635	30,820	32,052	333,335	34,668	1,369,054	37,496	38,995	40,556	42,178	43,864
Transport	1,210,969	988,023	1,713,403	2,571,314	750,612	760,939	771,679	782,849	794,466	806,548	819,113	832,180	845,770
Economic Services	18,171	38,339	47,450	22,429	23,871	28,811	35,461	49,484	46,566	42,296	36,130	41,474	38,955
Other Property and Services	330,666	659,054	262,500	273,000	283,920	295,278	307,089	319,372	332,146	345,431	359,247	373,617	388,561
	4,406,291	3,908,398	4,251,174	5,403,314	3,609,703	3,838,681	3,688,353	5,207,937	4,504,712	4,243,901	4,442,632	4,665,024	4,892,467
<b>Expenses Excluding Finance Costs</b>													
Governance	(340,638)	(809,196)	(243,880)	(322,362)	(337,000)	(348,159)	(358,193)	(372,588)	(386,831)	(399,489)	(409,797)	(425,402)	(440,649)
General Purpose Funding	(33,482)	(31,838)	(44,749)	(46,539)	(48,400)	(50,336)	(52,350)	(54,445)	(56,622)	(58,886)	(61,242)	(63,691)	(66,238)
Law, Order, Public Safety	(54,291)	(64,568)	(100,444)	(120,868)	(126,119)	(130,610)	(134,906)	(140,318)	(145,772)	(150,927)	(155,615)	(161,651)	(167,694)
Health	(55,014)	(44,873)	(49,678)	(51,665)	(53,733)	(55,882)	(58,116)	(60,441)	(62,857)	(65,371)	(67,988)	(70,707)	(73,535)
Education & Welfare	(9,560)	(22,986)	(35,187)	(52,821)	(55,348)	(57,015)	(58,378)	(60,730)	(63,003)	(64,857)	(66,112)	(68,572)	(70,896)
Housing	(86,022)	(127,457)	(121,687)	(167,173)	(174,892)	(180,518)	(185,439)	(192,896)	(200,224)	(206,569)	(211,481)	(219,476)	(227,212)
Community Amenities	(78,639)	(93,789)	(111,258)	(125,524)	(130,794)	(135,696)	(140,569)	(146,203)	(151,959)	(157,633)	(163,129)	(169,538)	(176,068)
Recreation and Culture	(641,971)	(721,041)	(831,534)	(1,024,834)	(1,069,895)	(1,107,290)	(1,142,529)	(1,188,396)	(1,284,401)	(1,429,215)	(1,473,182)	(1,530,278)	(1,587,370)
Transport	(1,087,363)	(1,149,805)	(637,993)	(605,444)	(629,657)	(654,850)	(681,045)	(708,285)	(736,620)	(766,089)	(796,738)	(828,604)	(861,751)
Economic Services	(166,414)	(164,759)	(182,989)	(218,953)	(228,441)	(236,611)	(244,454)	(254,261)	(264,156)	(273,550)	(282,130)	(293,085)	(304,070)
Other Property and Services	(530,881)	(721,808)	(92,884)	(522,342)	(554,050)	(561,851)	(560,244)	(583,081)	(602,330)	(608,965)	(598,202)	(617,265)	(630,994)
	(3,084,275)	(3,952,120)	(2,452,283)	(3,258,525)	(3,408,329)	(3,518,818)	(3,616,223)	(3,761,644)	(3,954,775)	(4,181,551)	(4,285,616)	(4,448,269)	(4,606,477)
<b>Finance Costs</b>													
Education & Welfare	(7,513)	(7,305)	(7,129)	(6,821)	(6,576)	(6,316)	(6,040)	(5,747)	(5,436)	(5,106)	(4,757)	(4,385)	(3,991)
Housing	(24,114)	(23,045)	(22,269)	(26,563)	(24,849)	(23,023)	(21,083)	(19,016)	(16,817)	(14,476)	(11,984)	(9,331)	(6,509)
Recreation and Culture	(7,212)	(7,013)	(6,844)	(6,549)	(6,313)	(6,064)	(5,799)	(18,517)	(46,975)	(61,597)	(59,652)	(57,580)	(55,373)
Transport	(20,451)	(24,791)	(20,525)	(35,826)	(30,936)	(25,755)	(20,266)	(14,455)	(9,091)	(5,840)	(19,491)	(41,248)	(47,472)
	(59,290)	(62,154)	(56,767)	(75,759)	(68,674)	(61,158)	(53,188)	(57,735)	(78,319)	(87,019)	(95,884)	(112,544)	(113,345)
<b>NET RESULT</b>	1,262,726	(105,876)	1,742,124	2,069,030	132,700	258,705	18,942	1,388,558	471,618	(24,669)	61,132	104,211	172,645
<b>Other Comprehensive Income</b>	0	14,942,758	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,262,726</b>	<b>14,836,882</b>	<b>1,742,124</b>	<b>2,069,030</b>	<b>132,700</b>	<b>258,705</b>	<b>18,942</b>	<b>1,388,558</b>	<b>471,618</b>	<b>(24,669)</b>	<b>61,132</b>	<b>104,211</b>	<b>172,645</b>



# Statement 3 - Forecast Statement of Financial Position 2012-2022

	2009-10	2010-11	Base	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>													
Unrestricted Cash and Equivalents	194,032	459,943	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513
Restricted Cash and Cash Equivalent	699,872	523,616	195,501	217,742	309,683	435,521	708,518	642,420	548,952	417,259	515,446	455,955	413,823
Trade and Other Receivables	945,989	140,888	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681
Inventories	239,752	132,681	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631
<b>TOTAL CURRENT ASSETS</b>	<b>2,079,645</b>	<b>1,257,128</b>	<b>518,326</b>	<b>540,567</b>	<b>632,508</b>	<b>758,346</b>	<b>1,031,343</b>	<b>965,245</b>	<b>871,777</b>	<b>740,084</b>	<b>838,271</b>	<b>778,780</b>	<b>736,648</b>
<b>NON-CURRENT ASSETS</b>													
Inventories	89,409	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Property Plant and Equipment	5,919,390	5,886,153	6,887,484	7,124,058	7,178,149	7,316,832	6,960,623	8,699,661	9,687,058	9,711,200	9,586,235	10,175,051	10,562,279
Infrastructure	18,296,337	33,683,905	35,443,425	37,136,009	36,997,961	36,859,913	36,821,865	36,783,817	36,745,769	36,707,721	36,669,673	36,631,625	36,593,577
<b>TOTAL NON-CURRENT ASSETS</b>	<b>24,305,136</b>	<b>39,570,058</b>	<b>42,345,909</b>	<b>44,275,067</b>	<b>44,191,110</b>	<b>44,191,745</b>	<b>43,797,488</b>	<b>45,498,478</b>	<b>46,447,827</b>	<b>46,433,921</b>	<b>46,270,908</b>	<b>46,821,676</b>	<b>47,170,856</b>
<b>TOTAL ASSETS</b>	<b>26,384,781</b>	<b>40,827,186</b>	<b>42,864,235</b>	<b>44,815,634</b>	<b>44,823,618</b>	<b>44,950,091</b>	<b>44,828,831</b>	<b>46,463,723</b>	<b>47,319,604</b>	<b>47,174,005</b>	<b>47,109,179</b>	<b>47,600,456</b>	<b>47,907,504</b>
<b>CURRENT LIABILITIES</b>													
Trade and Other Payables	445,374	147,837	322,825	322,825	322,825	322,825	322,825	322,825	322,825	322,825	322,825	322,825	322,825
Current Portion of Long-term Liabilities	113,245	93,765	193,390	124,716	132,232	140,202	148,655	115,737	120,930	119,694	96,363	108,407	87,687
Provisions	131,252	157,473	163,472	163,472	163,472	163,472	163,472	163,472	163,472	163,472	163,472	163,472	163,472
<b>TOTAL CURRENT LIABILITIES</b>	<b>689,871</b>	<b>399,075</b>	<b>679,687</b>	<b>611,013</b>	<b>618,529</b>	<b>626,499</b>	<b>634,952</b>	<b>602,034</b>	<b>607,227</b>	<b>605,991</b>	<b>582,660</b>	<b>594,704</b>	<b>573,984</b>
<b>NON-CURRENT LIABILITIES</b>													
Long-term Borrowings	926,242	832,477	1,089,084	1,040,127	907,895	767,693	619,038	898,290	1,277,360	1,157,666	1,055,039	1,430,061	1,585,184
Provisions	25,195	15,279	15,279	15,279	15,279	15,279	15,279	15,279	15,279	15,279	15,279	15,279	15,279
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>951,437</b>	<b>847,756</b>	<b>1,104,363</b>	<b>1,055,406</b>	<b>923,174</b>	<b>782,972</b>	<b>634,317</b>	<b>913,569</b>	<b>1,292,639</b>	<b>1,172,945</b>	<b>1,070,318</b>	<b>1,445,340</b>	<b>1,600,463</b>
<b>TOTAL LIABILITIES</b>	<b>1,641,308</b>	<b>1,246,831</b>	<b>1,784,050</b>	<b>1,666,419</b>	<b>1,541,703</b>	<b>1,409,471</b>	<b>1,269,269</b>	<b>1,515,603</b>	<b>1,899,866</b>	<b>1,778,936</b>	<b>1,652,978</b>	<b>2,040,044</b>	<b>2,174,447</b>
<b>NET ASSETS</b>	<b>24,743,473</b>	<b>39,580,355</b>	<b>41,080,185</b>	<b>43,149,215</b>	<b>43,281,915</b>	<b>43,540,620</b>	<b>43,559,562</b>	<b>44,948,120</b>	<b>45,419,738</b>	<b>45,395,069</b>	<b>45,456,201</b>	<b>45,560,412</b>	<b>45,733,057</b>
<b>EQUITY</b>													
Retained Surplus	23,217,670	23,126,597	24,954,541	27,001,330	27,042,089	27,174,956	26,920,901	28,375,557	28,940,643	29,047,667	29,010,612	29,174,314	29,389,091
Reserves - Cash Backed	538,418	523,616	195,501	217,742	309,683	435,521	708,518	642,420	548,952	417,259	515,446	455,955	413,823
Reserves - Revaluation	987,385	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143
<b>TOTAL EQUITY</b>	<b>24,743,473</b>	<b>39,580,356</b>	<b>41,080,185</b>	<b>43,149,215</b>	<b>43,281,915</b>	<b>43,540,620</b>	<b>43,559,562</b>	<b>44,948,120</b>	<b>45,419,738</b>	<b>45,395,069</b>	<b>45,456,201</b>	<b>45,560,412</b>	<b>45,733,057</b>

## Statement 4 - Forecast Statement of Changes in Equity 2012-2022

	2009-10	2010-11	Base	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>RETAINED SURPLUS</b>													
Opening Balance	21,099,573	21,974,148	23,217,671	24,954,541	27,001,330	27,042,089	27,174,956	26,920,901	28,375,557	28,940,643	29,047,667	29,010,612	29,174,314
Net Result	874,575	1,262,726	14,836,882	2,069,030	132,700	258,705	18,942	1,388,558	471,618	(24,669)	61,132	104,211	172,645
Total Other Comprehensive Income	0	0	(14,942,758)	0	0	0	0	0	0	0	0	0	0
Amount transferred (to)/from Reserves		(19,203)	14,802	(22,241)	(91,941)	(125,838)	(272,997)	66,098	93,468	131,693	(98,187)	59,491	42,132
Closing Balance	21,974,148	23,217,671	23,126,597	27,001,330	27,042,089	27,174,956	26,920,901	28,375,557	28,940,643	29,047,667	29,010,612	29,174,314	29,389,091
<b>RESERVES - CASH/INVESTMENT BACKED</b>													
Opening Balance	519,215	519,215	538,418	195,501	217,742	309,683	435,521	708,518	642,420	548,952	417,259	515,446	455,955
Amount transferred to/(from) Retained Surplus	0	19,203	(14,802)	22,241	91,941	125,838	272,997	(66,098)	(93,468)	(131,693)	98,187	(59,491)	(42,132)
Closing Balance	519,215	538,418	523,616	217,742	309,683	435,521	708,518	642,420	548,952	417,259	515,446	455,955	413,823
<b>ASSET REVALUATION RESERVES</b>													
Opening Balance	987,385	987,385	987,385	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143
Total Other Comprehensive Income	0	0	14,942,758	0	0	0	0	0	0	0	0	0	0
Closing Balance	987,385	987,385	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143	15,930,143
<b>TOTAL EQUITY</b>	<b>23,480,748</b>	<b>24,743,474</b>	<b>39,580,356</b>	<b>43,149,215</b>	<b>43,281,915</b>	<b>43,540,620</b>	<b>43,559,562</b>	<b>44,948,120</b>	<b>45,419,738</b>	<b>45,395,069</b>	<b>45,456,201</b>	<b>45,560,412</b>	<b>45,733,057</b>

## Statement 5 - Forecast Statement of Cashflows 2012-2022

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash Flows From Operating Activities</b>										
<b>Receipts</b>										
Rates	1,255,559	1,343,448	1,437,489	1,538,113	1,645,781	1,760,986	1,884,255	2,016,153	2,157,284	2,308,294
Operating grants, subsidies and contributions	1,037,523	1,079,023	1,122,183	1,167,073	1,213,755	1,262,303	1,312,796	1,365,308	1,419,919	1,476,715
Fees and Charges	400,014	416,014	432,653	449,957	467,955	486,674	506,142	526,390	547,447	569,344
Service Charges	0	0	0	0	0	0	0	0	0	0
Interest Earnings	14,151	15,263	19,860	26,152	39,803	36,497	31,823	25,238	30,146	27,174
Other Revenue	13,000	13,520	14,061	14,623	15,208	15,817	16,450	17,108	17,793	18,505
	<u>2,720,247</u>	<u>2,867,268</u>	<u>3,026,246</u>	<u>3,195,918</u>	<u>3,382,502</u>	<u>3,562,277</u>	<u>3,751,466</u>	<u>3,950,197</u>	<u>4,172,589</u>	<u>4,400,032</u>
<b>Payments</b>										
Employee Costs	( 894,067)	( 929,829)	( 967,025)	( 1,005,706)	( 1,045,937)	( 1,087,772)	( 1,131,280)	( 1,176,533)	( 1,223,594)	( 1,272,536)
Materials and Contracts	( 834,543)	( 867,929)	( 902,646)	( 938,744)	( 976,292)	( 1,065,343)	( 1,207,952)	( 1,256,275)	( 1,306,524)	( 1,358,788)
Utility Charges	( 128,912)	( 134,067)	( 139,429)	( 145,004)	( 150,806)	( 156,841)	( 163,114)	( 169,639)	( 176,422)	( 183,478)
Insurance Expenses	( 75,759)	( 68,674)	( 61,158)	( 53,188)	( 57,735)	( 78,319)	( 87,019)	( 95,884)	( 112,544)	( 113,345)
Interest expenses	( 157,984)	( 164,303)	( 170,878)	( 177,710)	( 184,820)	( 192,214)	( 199,904)	( 207,901)	( 216,215)	( 224,862)
Other Expenditure	( 86,110)	( 89,559)	( 93,140)	( 96,867)	( 100,744)	( 104,769)	( 108,960)	( 113,320)	( 117,847)	( 122,558)
	<u>( 2,177,375)</u>	<u>( 2,254,361)</u>	<u>( 2,334,276)</u>	<u>( 2,417,219)</u>	<u>( 2,516,334)</u>	<u>( 2,685,258)</u>	<u>( 2,898,229)</u>	<u>( 3,019,552)</u>	<u>( 3,153,146)</u>	<u>( 3,275,567)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>542,872</u>	<u>612,907</u>	<u>691,970</u>	<u>778,699</u>	<u>866,168</u>	<u>877,019</u>	<u>853,237</u>	<u>930,645</u>	<u>1,019,443</u>	<u>1,124,465</u>
<b>Cash Flows from Investing Activities</b>										
Payments for Purchase of Property, Plant & Equipment	( 802,000)	( 632,250)	( 752,900)	( 231,500)	( 2,458,600)	( 1,767,750)	( 795,000)	( 780,500)	( 1,537,000)	( 1,282,000)
Payments for Construction of Infrastructure	( 2,477,067)	( 646,435)	( 646,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)
Non-Operating Grants, Subsidies and Contributions	2,683,067	742,435	812,435	492,435	1,825,435	942,435	492,435	492,435	492,435	492,435
Proceeds from Sale of Plant & Equipment	193,000	140,000	153,000	120,000	201,000	217,000	185,000	328,000	325,000	235,000
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>( 403,000)</u>	<u>( 396,250)</u>	<u>( 433,900)</u>	<u>( 365,500)</u>	<u>( 1,178,600)</u>	<u>( 1,354,750)</u>	<u>( 864,000)</u>	<u>( 706,500)</u>	<u>( 1,466,000)</u>	<u>( 1,301,000)</u>
<b>Cash Flows from Financing Activities</b>										
Repayment of Debentures	( 117,631)	( 124,716)	( 132,232)	( 140,202)	( 153,666)	( 115,737)	( 120,930)	( 125,958)	( 112,934)	( 115,597)
Proceeds from Self Supporting Loans	0	0	0	0	0	0	0	0	0	0
Proceeds from New Debentures	0	0	0	0	400,000	500,000	0	0	500,000	250,000
<b>Net Cash Provided By (Used In) Financing Activities</b>	<u>( 117,631)</u>	<u>( 124,716)</u>	<u>( 132,232)</u>	<u>( 140,202)</u>	<u>246,334</u>	<u>384,263</u>	<u>( 120,930)</u>	<u>( 125,958)</u>	<u>387,066</u>	<u>134,403</u>
<b>Net Increase (Decrease) in Cash Held</b>	<u>22,241</u>	<u>91,941</u>	<u>125,838</u>	<u>272,997</u>	<u>( 66,098)</u>	<u>( 93,468)</u>	<u>( 131,693)</u>	<u>98,187</u>	<u>( 59,491)</u>	<u>( 42,132)</u>
Cash at Beginning of Year	<u>283,014</u>	<u>305,255</u>	<u>397,196</u>	<u>523,034</u>	<u>796,031</u>	<u>729,933</u>	<u>636,465</u>	<u>504,772</u>	<u>602,959</u>	<u>543,468</u>
<b>Cash and Cash Equivalents at the End of Year</b>	<u>305,255</u>	<u>397,196</u>	<u>523,034</u>	<u>796,031</u>	<u>729,933</u>	<u>636,465</u>	<u>504,772</u>	<u>602,959</u>	<u>543,468</u>	<u>501,336</u>

# Statement 6 - Forecast Statement of Funding 2012-2022

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>FUNDING FROM OPERATIONAL ACTIVITIES</b>										
<b>Revenues</b>										
Rates	1,255,559	1,343,448	1,437,489	1,538,113	1,645,781	1,760,986	1,884,255	2,016,153	2,157,284	2,308,294
Operating grants, subsidies and contributions	1,037,523	1,079,023	1,122,183	1,167,073	1,213,755	1,262,303	1,312,796	1,365,308	1,419,919	1,476,715
Profit on Asset Disposal	0	0	0	0	0	0	0	0	0	0
Fees and charges	400,014	416,014	432,653	449,957	467,955	486,674	506,142	526,390	547,447	569,344
Service charges	0	0	0	0	0	0	0	0	0	0
Interest earnings	14,151	15,263	19,860	26,152	39,803	36,497	31,823	25,238	30,146	27,174
Other revenue	13,000	13,520	14,061	14,623	15,208	15,817	16,450	17,108	17,793	18,505
	2,720,247	2,867,268	3,026,246	3,195,918	3,382,502	3,562,277	3,751,466	3,950,197	4,172,589	4,400,032
<b>Expenses</b>										
Employee costs	( 894,067)	( 929,829)	( 967,025)	( 1,005,706)	( 1,045,937)	( 1,087,772)	( 1,131,280)	( 1,176,533)	( 1,223,594)	( 1,272,536)
Materials and contracts	( 834,543)	( 867,929)	( 902,646)	( 938,744)	( 976,292)	( 1,065,343)	( 1,207,952)	( 1,256,275)	( 1,306,524)	( 1,358,788)
Utility charges (electricity, gas, water etc.)	( 128,912)	( 134,067)	( 139,429)	( 145,004)	( 150,806)	( 156,841)	( 163,114)	( 169,639)	( 176,422)	( 183,478)
Depreciation on non-current assets	( 1,156,909)	( 1,222,642)	( 1,245,700)	( 1,252,192)	( 1,303,045)	( 1,347,836)	( 1,370,341)	( 1,361,948)	( 1,407,667)	( 1,444,255)
Loss on Asset Disposal	0	0	0	0	0	0	0	0	0	0
Interest expense	( 75,759)	( 68,674)	( 61,158)	( 53,188)	( 57,735)	( 78,319)	( 87,019)	( 95,884)	( 112,544)	( 113,345)
Insurance expense	( 157,984)	( 164,303)	( 170,878)	( 177,710)	( 184,820)	( 192,214)	( 199,904)	( 207,901)	( 216,215)	( 224,862)
Other expenditure	( 86,110)	( 89,559)	( 93,140)	( 96,867)	( 100,744)	( 104,769)	( 108,960)	( 113,320)	( 117,847)	( 122,558)
	( 3,334,284)	( 3,477,003)	( 3,579,976)	( 3,669,411)	( 3,819,379)	( 4,033,094)	( 4,268,570)	( 4,381,500)	( 4,560,813)	( 4,719,822)
	( 614,037)	( 609,735)	( 553,730)	( 473,493)	( 436,877)	( 470,817)	( 517,104)	( 431,303)	( 388,224)	( 319,790)
<b>Funding Position Adjustments</b>										
Depreciation on non-current assets	1,156,909	1,222,642	1,245,700	1,252,192	1,303,045	1,347,836	1,370,341	1,361,948	1,407,667	1,444,255
<b>Net Funding From Operational Activities</b>	542,872	612,907	691,970	778,699	866,168	877,019	853,237	930,645	1,019,443	1,124,465
<b>FUNDING FROM CAPITAL ACTIVITIES</b>										
<b>Inflows</b>										
Proceeds on Disposal	193,000	140,000	153,000	120,000	201,000	217,000	185,000	328,000	325,000	235,000
Non-Operating grants, subsidies and contributions	2,683,067	742,435	812,435	492,435	1,825,435	942,435	492,435	492,435	492,435	492,435
<b>Outflows</b>										
Purchase of Property Plant and Equipment	( 802,000)	( 632,250)	( 752,900)	( 231,500)	( 2,458,600)	( 1,767,750)	( 795,000)	( 780,500)	( 1,537,000)	( 1,282,000)
Purchase of Infrastructure	( 2,477,067)	( 646,435)	( 646,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)	( 746,435)
<b>Net Funding From Capital Activities</b>	( 403,000)	( 396,250)	( 433,900)	( 365,500)	( 1,178,600)	( 1,354,750)	( 864,000)	( 706,500)	( 1,466,000)	( 1,301,000)
<b>FUNDING FROM FINANCING ACTIVITIES</b>										
<b>Inflows</b>										
Transfer from Reserves	0	0	0	0	301,525	300,000	400,000	0	250,000	500,000
New Borrowings	0	0	0	0	400,000	500,000	0	0	500,000	250,000
Self-Supporting Loan	0	0	0	0	0	0	0	0	0	0
<b>Outflows</b>										
Transfer to Reserves	( 22,241)	( 91,941)	( 125,838)	( 272,997)	( 235,427)	( 206,532)	( 268,307)	( 98,187)	( 190,509)	( 457,868)
Advances to Community Groups	0	0	0	0	0	0	0	0	0	0
Repayment of Past Borrowings	( 117,631)	( 124,716)	( 132,232)	( 140,202)	( 153,666)	( 115,737)	( 120,930)	( 125,958)	( 112,934)	( 115,597)
<b>Net Funding From Financing Activities</b>	( 139,872)	( 216,657)	( 258,070)	( 413,199)	312,432	477,731	10,763	( 224,145)	446,557	176,535
Estimated Surplus/Deficit July 1 B/Fwd	0	0	0	0	0	0	0	0	0	0
<b>Estimated Surplus/Deficit June 30 C/Fwd</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Statement 7 - Forecast Statement of Net Current Asset Composition 2012-2022

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Estimated Surplus/Deficit July 1 B/Fwd</b>	0	0	0	0	0	0	0	0	0	0
<b>CURRENT ASSETS</b>										
Unrestricted Cash and Equivalents	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513	87,513
Restricted Cash and Cash Equivalent	217,742	309,683	435,521	708,518	642,420	548,952	417,259	515,446	455,955	413,823
Non-Cash Investments	0	0	0	0	0	0	0	0	0	0
Trade and Other Receivables	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681	104,681
Inventories	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631	130,631
<b>CURRENT LIABILITIES</b>										
Trade and Other Payables	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)	( 322,825)
Reserves	( 217,742)	( 309,683)	( 435,521)	( 708,518)	( 642,420)	( 548,952)	( 417,259)	( 515,446)	( 455,955)	( 413,823)
<b>Estimated Surplus/Deficit June 30 C/Fwd</b>	0	0	0	0	0	0	0	0	0	0

## Statement 8 - Forecast Statement of Fixed Asset Movements 2012-2022

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CAPITAL WORKS - INFRASTRUCTURE</b>										
Roads	2,477,067	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
<b>Total Capital Works - Infrastructure</b>	2,477,067	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
<b>Represented by:</b>										
Additions - Expansion, Upgrades and New	1,180,632	0	0	0	0	0	0	0	0	0
Additions - Renewal	1,296,435	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
<b>Total Capital Works - Infrastructure</b>	2,477,067	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
<b>Asset Movement Reconciliation</b>										
Total Capital Works Infrastructure	2,477,067	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
Depreciation Infrastructure	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)	(784,483)
Net Book Value of disposed/Written Off assets	0	0	0	0	0	0	0	0	0	0
<b>Net Movement in Infrastructure Assets</b>	1,692,584	(138,048)	(138,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)
<b>CAPITAL WORKS - PROPERTY, PLANT AND EQUIPMENT</b>										
Buildings	385,000	300,000	430,000	50,000	2,050,000	1,300,000	450,000	50,000	800,000	800,000
Plant and Equipment	417,000	332,250	322,900	181,500	408,600	467,750	345,000	730,500	737,000	482,000
<b>Total Capital Works Property, Plant and Equipment</b>	802,000	632,250	752,900	231,500	2,458,600	1,767,750	795,000	780,500	1,537,000	1,282,000
<b>Represented by:</b>										
Additions - Assets at no cost	0	0	0	0	0	0	0	0	0	0
Additions - Expansion, Upgrades and New	727,000	582,250	702,900	181,500	2,408,600	1,717,750	745,000	730,500	1,487,000	1,232,000
Additions - Renewal	75,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
<b>Total Capital Works Property, Plant and Equipment</b>	802,000	632,250	752,900	231,500	2,458,600	1,767,750	795,000	780,500	1,537,000	1,282,000
<b>Asset Movement Reconciliation</b>										
Total Capital Works Property, Plant and Equipment	802,000	632,250	752,900	231,500	2,458,600	1,767,750	795,000	780,500	1,537,000	1,282,000
Depreciation Property, Plant and Equipment	(372,426)	(438,159)	(461,217)	(467,709)	(518,562)	(563,353)	(585,858)	(577,465)	(623,184)	(659,772)
Net Book Value of disposed/Written Off assets	(193,000)	(140,000)	(153,000)	(120,000)	(201,000)	(217,000)	(185,000)	(328,000)	(325,000)	(235,000)
<b>Net Movement in Property, Plant and Equipment</b>	236,574	54,091	138,683	(356,209)	1,739,038	987,397	24,142	(124,965)	588,816	387,228
<b>CAPITAL WORKS - TOTALS</b>										
<b>Capital Works</b>										
Total Capital Works Infrastructure	2,477,067	646,435	646,435	746,435	746,435	746,435	746,435	746,435	746,435	746,435
Total Capital Works Property, Plant and Equipment	802,000	632,250	752,900	231,500	2,458,600	1,767,750	795,000	780,500	1,537,000	1,282,000
<b>Total Capital Works</b>	3,279,067	1,278,685	1,399,335	977,935	3,205,035	2,514,185	1,541,435	1,526,935	2,283,435	2,028,435
<b>Fixed Asset Movement</b>										
Net Movement in Infrastructure Assets	1,692,584	(138,048)	(138,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)	(38,048)
Net Movement in Property, Plant and Equipment	236,574	54,091	138,683	(356,209)	1,739,038	987,397	24,142	(124,965)	588,816	387,228
<b>Net Movement in Fixed Assets</b>	1,929,158	(83,957)	635	(394,257)	1,700,990	949,349	(13,906)	(163,013)	550,768	349,180

## Significant Accounting Policies

### Basis of Preparation

The significant accounting policies which have been adopted in the preparation of these forecast financial statements are:

#### a) Basis of Preparation

The forecast financial statements have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), 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 selected non-current assets, financial assets and liabilities.

#### Critical Accounting Estimates

The preparation of forecast financial statements 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 and forecasts.

#### b) The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the forecast financial statements.

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 forecast financial statements.

#### c) Goods and Services Tax

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.

#### 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

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

#### f) Inventories

##### General

Inventories are valued 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 and interest incurred on the financing of that land during its development. Finance Costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding 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 and 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 portion 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 that 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.

##### 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.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any 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.

The forecast financial statements assume an appropriate depreciation rate is being charged. On the basis of an appropriate depreciation rate being charged no material gains or losses on revaluation of assets are forecast to occur.

## **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.

## **h) Depreciation of Non-Current Assets**

All non-current assets having a limited useful life 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.

Depreciation is recognised on a straight-line basis, using an effective average rate.

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

The forecast financial statements assume an appropriate depreciation rate is being charged. On the basis of an

appropriate depreciation rate being charged no material gains or losses on disposal of assets are forecast to occur.

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

## **i) Financial Instruments**

### **Classification**

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *(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. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

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

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

### **Recognition and Derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the forecast statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the forecast statement of comprehensive income as gains and losses from investment securities.

### **Subsequent Measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the forecast statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary



securities classified as available-for-sale are recognised in equity.

## **Impairment**

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the forecast statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

## **j) Estimation of Fair Value**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their

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fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

## **k) 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.

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. Any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

## **l) Trade and Other Payables**

Trade payables 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.

## **m) 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 those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements.

## **n) Borrowings 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.

## **o) 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.

## **p) 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 company, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under 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.

## **q) Joint Venture**

The Shires 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 relevant items reported in the statement of financial position and operating statement of comprehensive financial position income.

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

Where the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only

the portion of the gain or loss that is 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.

### **r) 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, those conditions are forecast to be discharged as at the reporting date.

### **s) 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.

### **t) 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.

### **u) Rounding Off Figures**

All figures shown in this forecast financial statements, are rounded to the nearest dollar.

### **v) Comparative Figures**

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

### **w) 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 forecast annual reporting periods.

The Council assessments of these new/amended standards and interpretations have been considered and are not considered to have any material effect, or impact on Council with the exception of the introduction of AASB13.

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 a fair value hierarchy; and

-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 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.

Amendments to the legislation require the phasing in of fair value for fixed assets over the next three years from 1 July 2012, it is not possible to estimate the likely amount of the revaluations.