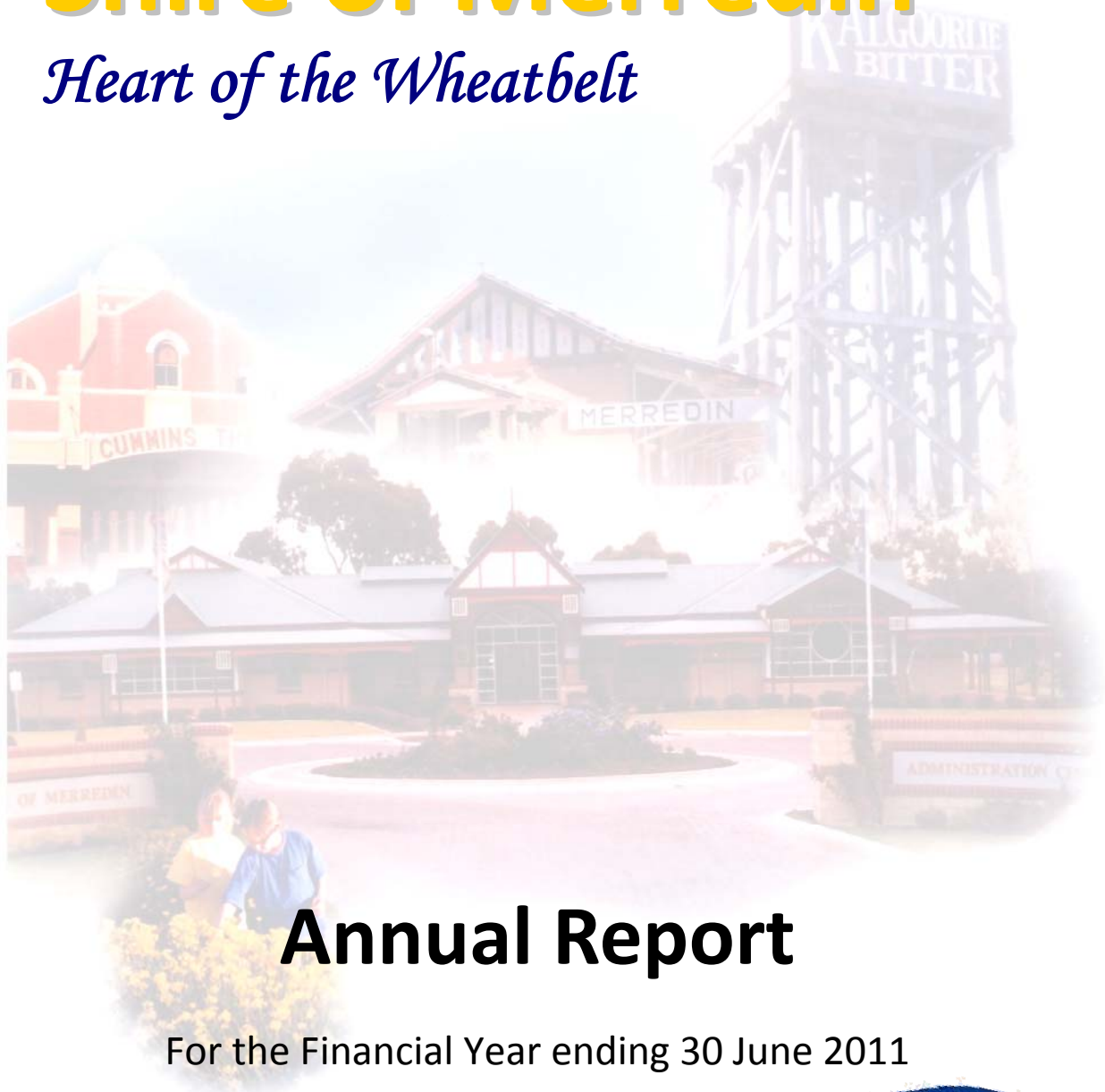


Shire of Merredin

Heart of the Wheatbelt



Annual Report

For the Financial Year ending 30 June 2011



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Shire of Merredin
PO Box 42
MERREDIN WA 6415
Email: admin@merredin.wa.gov.au
Web: www.merredin.wa.gov.au

Phone: (08) 9041 1611
Fax: (08) 9041 2379

Shire President's Report

It has certainly been an exciting and busy time for the Shire with a large range of projects being undertaken.

Cummins Theatre

The Shire of Merredin was successful in obtaining funding from the Wheatbelt Development Commission, Lotterywest, Community Cultural and Arts Facilities Fund and Jobs Fund. This funding was used in conjunction with funding from the State Government's Royalties for Regions Program to deliver a number of upgrades to Cummins Theatre, incorporating elements from the Conservation Plan which was prepared for the Theatre. Donations were also received from the Friends of Cummins Theatre and the Merredin Repertory Club.



The end of 2010 saw the successful completion of the refurbishment work at the Theatre. It was officially re-opened by the Hon Minister for Regional Development in late April but was fully functional prior to that time.

The Theatre Manager, Ursula Andinach, has sourced and supported a number of performances although some have attracted greater audiences than others. We will continue to offer a varied range of performances in order to develop a wide regional audience for the Theatre.

It is also pleasing to see the Theatre used for other community-based activities.

Collgar Windfarm

Collgar Wind Farm is a \$750 million renewable energy project consisting of 111 wind turbines with a generation capacity of 206MW. It is located approximately 25km south east of Merredin and once completed, will be the largest wind farm in WA and the largest single stage wind farm development in the southern hemisphere to date.

On completion of construction by April 2012, Collgar Wind Farm will on average generate and deliver 792,000MWh of clean, renewable electricity into the WA South West Interconnected System power grid each year, producing enough electricity to power approximately 125,000 WA homes.

The Windfarm was completed ahead of schedule and officially commissioned in June. The construction stage has certainly been of benefit to the community as a whole and particularly the business community during the construction phase.

It is not known at this time whether the second stage of eleven turbines will proceed.

There are preliminary indications that Merredin will see the construction of a 'peaking' power station over the next twelve months which will see additional capacity in the region and the Grid. It is pleasing to see Merredin being chosen as a site for these industries as there may be long term potential and benefit for Merredin.

Local Government Elections

Elections are scheduled to be held in October 2011 and will see six vacancies of your nine members Council due to re-alignment of terms after the reduction of elected members from eleven to nine.

The number of elected members will remain unaltered at nine for the foreseeable future.

Grain Freight

Uncertainty around the future of grain on rail continues although the State Government seems determined to shift a large proportion of the transport of grain onto road. Negotiations continue with Main Roads WA on the road network to be upgraded. Whatever the outcome, improvements to the regional road network will be welcomed although we all must remain vigilant to ensure safety standards are not compromised.

Amalgamations

There has been little movement towards amalgamation of Councils in this region apart from our near neighbours of Westonia and Yilgarn. With these Councils, Merredin continues to work with Bruce Rock, Tammin and Kellerberrin at a local level on projects of regional significance but local importance.

On behalf of my fellow Councillors I would like to thank the community for its support and of course the Councillors and staff for their dedication. I look forward to a productive year ahead.

Cr Ken Hooper
Shire President

Chief Executive Officer's Report

Asset Management, Long Term Financial and Strategic Plans

The development of Strategic planning will be governed by legislation in the near future which will make it mandatory for all councils to develop appropriate plans and strategies. Building on work already undertaken Council will work with it's consultants to ensure Council meets it's obligations by 2013 when the planning will be required to be completed. Wide consultation with the community will be undertaken over the coming months.



Local Planning Scheme No. 6

Work has continued towards the completion of Local Planning Scheme 6 (LPS6) with the Scheme being adopted and submitted to the Hon. Minister. Final approval is expected soon. Due to the time taken to prepare the Scheme, work has already commenced on the first amendment to the yet to be gazetted Scheme.

Lots 10-11 South Avenue

Planning continues towards commencing construction of the units however zoning issues have precluded commencement prior to gazettal of the new LPS. It is expected that planning and approvals will be in place before the end of the calendar year. Detailed planning has commenced.

Major Projects

Council secured funding for two major projects. A new water storage dam will be constructed to compliment the existing dams. Ad device to limit evaporation will be installed on one of the dams. Once completed Merredin should not require water from the pipeline for the majority of its parks and recreation requirements.

Funding in the order of \$850,000.00 has been provided by both the Commonwealth and State Governments.

Council has resolved to proceed with the construction of a synthetic playing surface for hockey and tennis. This will be funded from Councils Royalties for Regions allocation. Detailed planning and designed will commence shortly with construction expected in the first half of 2012.

I would like to thank a supportive Council and a committed staff in achieving what we have and look forward to a year consolidating gains made to date.

Greg Powell

Chief Executive Officer

Plan for the Future

Council's Strategic Plan is our plan for the future for the Shire of Merredin. The many Strategies and Actions detailed show how Council intends to achieve its goals in three Key Result Areas:

- **Community** A Great Place for People: our goal is to develop a united and sustainable community by working collaboratively;
- **Economy** A Vibrant Economy: our goal is to be a prosperous, sustainable and a beautiful regional centre; and
- **Environment** A Sustainable Environment: our goal is to secure a cleaner and safer environment for future generations, through collective responsibility for the protection and management of our built and natural environment.

Vision

Council has adopted the following vision for the community:

To be a vibrant regional centre offering a comprehensive range of regional services which improve the quality of life of the people within the Shire and Central Wheatbelt.

Mission

Council has adopted the following mission statement:

To work with all communities in the Central Wheatbelt to support social and economic development.

Values

The Shire operates, at all times, under the following values:

Integrity

Act in an honest, open and accountable manner in all of our activities, ensuring they are equitable and socially just.

Participation

Provide genuine opportunities for informed community participation in decision making in a framework of local democracy.

Service

Be sensitive and responsive to the needs and aspirations of our community and focusing on customer satisfaction and value for money in all our dealings.

Learning

Continue learning from training, our actions and experiences and continually seek better and more innovative ways of doing things.

Valuing People

Value the contribution that people inside and outside the organisation make to the achievement of the Shire's vision.

Commitment

Ensure our actions serve the people of Merredin and its long-term interests.

Sustainability

Have a global perspective and ensure our actions minimise the impact on the environment and the resources available for future generations.

Overview of Activities Proposed to Commence or Continue

During 2010-2011 the Shire of Merredin undertook significant projects to enhance the regions infrastructures.

Royalties for Regions Funding

The 2008/09 Royalties for Regions funding of \$966,402.00 allocated by the Minister for Regional Development and Lands to the Shire of Merredin was expended on the following projects:

Cummins Theatre Restoration	\$1,243,509.00
Cummins Theatre Landscaping	\$16,060.00
Cohn Creek Cleanout	\$87,033.00
Recreation Ground Storage Shed	\$118,115.00
Roy Little Park Pump Shed	\$30,775.00
Footpaths	\$81,674.00
Mitchell Street Drainage	\$56,039.00
Swimming Pool	\$111,933.00
Pioneer Park	\$15,000.00

Land Development

Carrington Way

There are only 4 blocks remaining for sale in this new residential subdivision. These residential blocks are extremely good value with underground power and water, ready for deep-sewerage connection, Neeta-Screen fencing, bitumen road, street lighting and footpaths. The blocks range in size from 717m² to 1233m² and in the middle of the subdivision is the provision for a large public open space.

Whitfield Way Stage Two

The Shire is proceeding with Stage Two of the Whitfield Way subdivision creating 12 special residential lots of between 4,768m² and 6,823m². The proposal includes the construction of sealed access roads, provision of reticulated water, underground power and telecommunications services. The land will be developed using funds from Council's Land Development Reserve and an allocation from the 2011/2012 Budget. Advertising of the business plan was undertaken in March 2010 and construction of the subdivision is expected to be completed by June 2012.

Lots within Whitfield Way Stage One were sold quickly and it is anticipated, given the level of interest already shown, that Stage Two will be just as readily received.

Road Construction/Maintenance

Council continued with its program of extensive road infrastructure enhancement. Major projects completed utilising the funding available through the Roads to Recovery, Blackspot, Grain Freight Network Funding and Regional Road Group sources as well as Council's own resources on the following roads:

- Chandler Road
- Robartson Road
- Merredin-Naremben Road
- Hunter Street
- Kitchener Road
- Totadgin Hall Road
- Old Nukarni Road
- Flockart Road
- Barr Road
- Coulahan Road
- Miaolo Way
- Whitfield Way

Engineering works are also expected to be undertaken on the footpath on Coronation Street and drainage on Golf Road. The construction of Dam No 4 is also due to commence in February 2012, located northwest of the sewage treatment plant.

Recreation Facilities

Merredin Olympic Pool

Extensive works were undertaken during 2010/11 to address water leakage and to enhance the condition of the main and toddler pools through replacement of tiling and grouting and servicing of the filtration system.

Synthetic Surface at Recreation Ground

An application was submitted to the Department of Sport and Recreations Community Sporting and Recreations Fund in October 2009 to install the synthetic Surface at the Merredin Regional Community and Leisure Centre to accommodate 12 tennis courts, a full hockey field and a soccer pitch. The project is expected to cost around \$1.6 million however the application was unsuccessful. As a result the decision has been made to utilise Royalties for Regions funding for the 2010/11 and 2011/12 years to complete the project.

The construction of a new synthetic surface would:

- provide immediate savings on maintenance costs for the Shire on the current grass surfaces used by both sports;
- enable the Shire to plan for the completion of the Recreation Ground by freeing up the current tennis courts and 2 hockey fields;

- provide the opportunity to increase participants (social and competition) in tennis, hockey and soccer, thus increasing the patronage of the MRC&LC; and
- provide the region with a quality sporting facility capable of hosting a regional competition.

Merredin CBD

During 2008/2009 financial year Council engaged Consultants Urban Design Landscape Architects (UDLA) to undertake the Merredin CBD concept plan. The Plan not only focuses on the physical outcomes, it also demonstrates concern for the future commercial and community vision.

After extensive community consultation Council adopted the CBD Plan at its July 2009 meeting. The major features of the Plan are:

- The realignment of the car parks increasing their efficiency and the number of car parks available;
- The creation of a town square/piazza effect in the Railway Museum/Central Wheatbelt Visitor Centre and the junction of Bates and Barrack Street;
- The relocation of the Visitor Centre to create a town square/piazza effect, opening vistas from the town to the Railway Museum and from the Highway into town;
- The development of a heritage precinct adjacent to the Cummins Theatre;
- the commercial development of the Newfields Car park fronting Bates Street; and
- Landscaping works between Barrack Street and the remodelled car parking area.

The project is intended to be completed in 8 stages and initial cost estimates indicate the project to be in excess of \$3.748 million.

As at the commencement of the 2011/12 financial year, a drainage consultant completed an analysis and confirmed the drainage is adequate to cope with a 1 in 100 year flood. A feature survey has also been completed for the whole of the Central Business District so final design can now be progressed. An allocation of \$100,000.00 was made in the 2011/12 financial budget to move the project forward.

Aged Accommodation

Aged Accommodation Strategy

Council recognises the region's ageing population and the lack of housing options for aged in Merredin and the region, as an important strategic challenge for the future. As a means of addressing this challenge, Council engaged a consultant in November 2009 to prepare an Aged Accommodation Strategy, which would analyse the demographics, identify the demand and supply of accommodation and provide strategies, action plans and an implementation program to address the issues. The Strategy was completed in March 2010, adopted by Council in April 2010 and will now be used for planning the future of aged accommodation.

The Strategy was jointly funded by the Shire and Merrittville Retirement Committee.

Merrittville Retirement Village

Council will be working closely with the Merrittville Retirement Village Committee to progress the expansion of the Village. Council undertook advertising in June 2010 on behalf of the Committee seeking expressions of interest from architects to develop concept plans for the proposed extensions.

It is envisaged that the concept plans will address the provision of high care and independent accommodation and ancillary support services including resident activities and administration. The concept plans will provide for staged development of the site and provide indicative costings for the work. The concept plans are expected to be finalised in the first quarter of the 2010/2011 financial year.

Local Laws and Council Policies

The Local Government Act 1995 requires that all local government local laws must be reviewed within an eight year period. Pursuant to this, a number of local laws will be reviewed commencing in the 2010/11 financial year.

During the 2009/10 financial year, the Shire commenced a full review of its policy manual. The review is ongoing.

National Competition Policy

The Shire of Merredin has incorporated the principles and assessment of National Competition Policy into its practices and activities. The Shire continues to monitor Council policies and local laws for anti-competitive practices and does not believe to have undertaken activities that have been anti-competitive in nature.

Freedom of Information

The Western Australian Freedom of Information Act 1992 provides the public with the right to apply for access to documents held by the Shire. An applicant's right to access cannot be affected by their reason for wishing to obtain it, nor is there a need for an applicant to provide a reason as to why access is being sought.

Schedule 1 to the Act provides what information is exempt from the requirement to release documents to the public. The Shire had no Freedom of information applications in 2010/11.

The Shire Administration received no such applications in the current reporting period.

State Records Act

2010/2011 Achievements

The Shire of Merredin continued the consolidation of its adopted Record Keeping Plan, as required by the State Records Act 2000, by progressing better practice recordkeeping and compliance with the minimum requirements of State Records Commission (SRC) Standard 2: Recordkeeping Plans and SRC Standard 6: Outsourcing.

Future Objectives – Compliance with SRC Principle 6

The Shire has made a strong commitment to address the following matters within specific timeframes:

Under SRC Standard 2:

Principle Two

- Development of procedures for:
 - Systems Management;
 - Metadata Management; and
 - A Migration Strategy;
- Further development of procedures for Website Management; to include further records of amendments to the site, and capture of periodic snapshots as a permanent record;
- Evidence that the draft Policy and Procedures have been adopted by Council and implemented for use by all staff; and
- Examination of options regarding investment in and implementation of an electronic records system, if required.

Principle Four

- Confirmation that archival records currently stored in the offsite storage facility have been identified and relocated to more suitable storage which ensures greater protection for these records;
- Investigation of options for offsite storage of backup tapes, and any action taken;
- Outcome of consideration given to options for purpose built records storage, including any action taken;
- Development and implementation of a Vital Records program; and
- Development of a Disaster Management Plan, including strategies for recovery of hard copy records.

Principle Five

- Evidence that lists of records for transfer or destruction are authorised by the CEO.

Principle Six

- Confirmation that in-house training in records management has been delivered to all staff; and
- Outcome of consideration given to establishing an intranet site for the Shire, including any action taken to publish information relating to records management.

Under SRC Standard 6:

Inclusion of clauses addressing recordkeeping requirements in new and renewed contracts for outsourced functions.

Disability Services Plan

The Disability Services Amendment Act 1999 requires Council to report on its Disability Services Plan achievements within its Annual Report. The Shire of Merredin Disability Services Plan was adopted in 1995 and Revised in February 2001. In January 2007 Council adopted the *Disability Access and Inclusion Plan 2007-2012*.

Many of the outcomes and strategies identified within the plan are being implemented on an ongoing basis or have been fully implemented. Currently the Executive Manager of Development Services is responsible for the implementation of the principles and projects within the Plan. When Council is addressing the issue of accessibility to Council's facilities and functions it is aware that by providing better access for people with disabilities it is providing better access for the whole community. Work continues to improve footpaths and access ways around the townsite as part of recognising the Disability Services Plan.

Over the next twelve months the plan will be reviewed, modernised and advertised for comment.

Further information can be obtained by contacting Mr John Mitchell, Executive Manager of Development Services at the Council Administration Centre on 08 9041 1611 or email emds@merredin.wa.gov.au.

SHIRE COMMUNITY FACILITIES

Central Wheatbelt Visitors Centre

Barrack Street, Merredin

Telephone: (08) 9041 1666

Fax: (08)9041 2788

visitor@merredin.wa.gov.au



Merredin Regional Library

Queen Street, Merredin

Telephone: (08) 9041 1222

Fax: (08) 9041 3054

library@merredin.wa.gov.au

Merredin Regional Community & Leisure Centre

Bates Street, Merredin

Telephone: (08) 9041 3033

Fax: (08) 9041 3051

mrcladmin@merredin.wa.gov.au



Merredin District Olympic Pool

Corner of Throssell Road and Pool Street,
Merredin

Telephone: (08) 9041 1147

Fax: (08) 9041 1147

pool@merredin.wa.gov.au

Cummins Theatre

Bates Street, Merredin

Telephone: (08) 9041 3295

Fax: (08) 9041 3294

manager@cumminstheatre.com.au



COUNCILLORS

Councillor Ken Hooper
Shire President
Expiry of Term:
15 October 2011



Councillor Mark Crees
Deputy Shire President
Expiry of Term:
15 October 2011



Councillor Asha Carr
Expiry of Term:
15 October 2011



Councillor Julie
Townrow
Expiry of Term:
15 October 2011



Councillor Donna Crook
Expiry of Term:
19 October 2013



Councillor Wayne
Wallace Expiry of Term:
19 October 2013



Councillor Pam Forbes
Expiry of Term:
15 October 2011



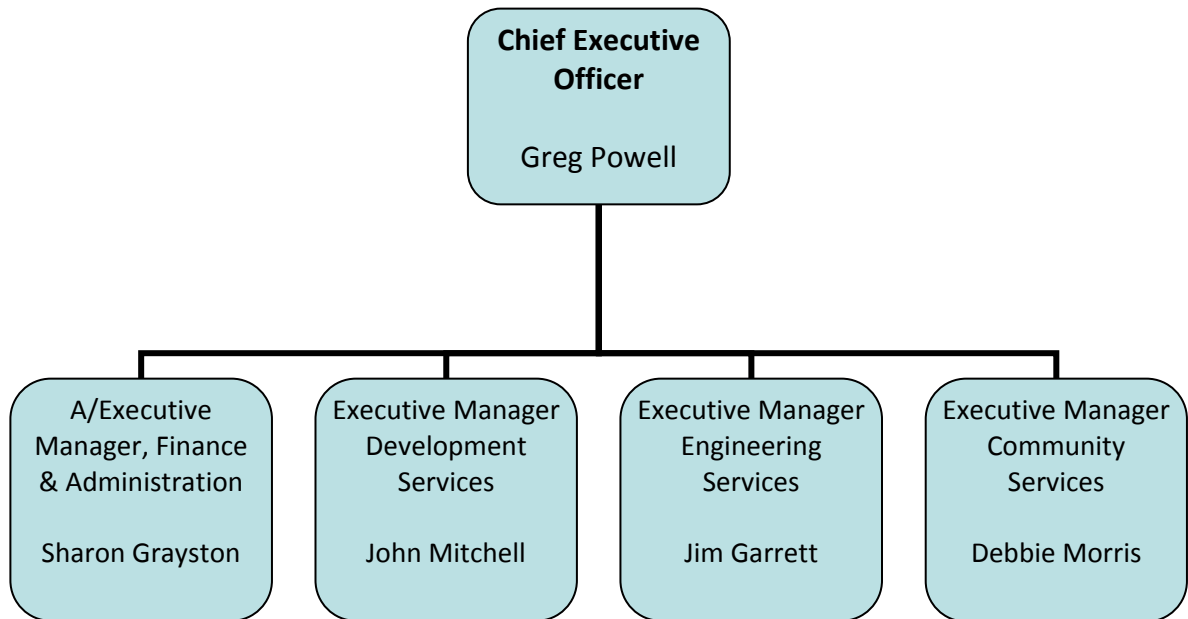
Councillor Maria Young
Expiry of Term:
15 October 2011



Councillor Martin Morris
Expiry of Term:
19 October 2013



Senior Management



MANAGERS, SUPERVISORS & SPECIALISED STAFF

Visitor Centre Manager
Cummins Theatre Manager
Recreation Centre Manager
Swimming Pool Manager
Regional Librarian
Building Project Manager
Construction Supervisor
Town Maintenance Supervisor
Recreation Ground Curator
Natural Resource Management Officer
Ranger

Pam Masters
Ursula Andinach
Judy Jefferys
Neil Lavers
Wendy Porter
John Gearing
Troy Davey
Rodney Robertson
Graham Motzel
Tobias Vudzijena
George Ward

SHIRE OF MERREDIN

ADMINISTRATION CENTRE

Situated on the Corner of King and Barrack Streets, Merredin

Postal Address: PO Box 42, Merredin, WA 6415

Office Hours: Monday to Friday, 8.30am to 4.30pm

Telephone: (08) 9041 1611 Facsimile: (08) 9041 2379

Email: admin@merredin.wa.gov.au Website: www.merredin.wa.gov.au



SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Merredin being the annual financial report and other information for the financial year ended 30th June 2011 are in my opinion properly drawn up to present fairly the financial position of the Shire of Merredin at 30th June 2011 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 25th day of October 2011



Greg Powell
Chief Executive Officer

SHIRE OF MERREDIN
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Rates	22	2,547,277	2,519,006	2,298,613
Operating Grants, Subsidies and Contributions	28	2,339,643	1,872,822	1,185,300
Fees and Charges	27	1,850,343	1,955,287	2,049,158
Interest Earnings	2(a)	174,675	70,667	104,885
Other Revenue		208,241	6,000	17,884
		<u>7,120,179</u>	<u>6,423,782</u>	<u>5,655,840</u>
EXPENSES				
Employee Costs		(3,032,435)	(2,766,729)	(2,859,784)
Materials and Contracts		(2,249,936)	(2,724,251)	(1,896,515)
Utility Charges		(351,660)	(371,764)	(294,856)
Depreciation on Non-Current Assets	2(a)	(1,423,006)	(1,204,967)	(1,353,412)
Interest Expenses	2(a)	(79,076)	(76,725)	(73,247)
Insurance Expenses		(220,351)	(222,230)	(163,793)
Other Expenditure		(118,401)	(158,837)	(139,160)
		<u>(7,474,865)</u>	<u>(7,525,503)</u>	<u>(6,780,767)</u>
		(354,686)	(1,101,721)	(1,124,927)
Non-Operating Grants, Subsidies and Contributions	28	1,215,693	1,180,700	2,150,795
Profit on Asset Disposals	20	78,582	342,387	431,055
Loss on Asset Disposal	20	(149,386)	(95,000)	(11,481)
		<u>790,203</u>	<u>326,366</u>	<u>1,445,442</u>
NET RESULT		790,203	326,366	1,445,442
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>790,203</u></u>	<u><u>326,366</u></u>	<u><u>1,445,442</u></u>

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

SHIRE OF MERREDIN
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Governance		110,860	43,000	85,579
General Purpose Funding		4,620,398	4,046,806	4,222,877
Law, Order, Public Safety		187,698	188,500	194,325
Health		8,971	11,852	23,594
Education and Welfare		1,000	500	268
Housing		77,512	65,300	38,965
Community Amenities		1,141,988	1,089,887	1,013,322
Recreation and Culture		763,663	1,104,774	1,058,089
Transport		956,775	963,900	1,124,962
Economic Services		169,684	133,350	153,206
Other Property and Services		375,905	271,000	322,503
	2 (a)	<u>8,414,454</u>	<u>7,918,869</u>	<u>8,237,690</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(784,211)	(560,112)	(665,123)
General Purpose Funding		(126,324)	(99,680)	(117,802)
Law, Order, Public Safety		(290,621)	(275,170)	(292,502)
Health		(232,755)	(188,421)	(247,178)
Education and Welfare		(18,164)	(29,120)	(28,647)
Housing		(163,560)	(136,880)	(53,533)
Community Amenities		(729,256)	(871,667)	(760,767)
Recreation & Culture		(2,132,960)	(2,357,495)	(1,883,267)
Transport		(2,058,690)	(2,001,865)	(1,916,168)
Economic Services		(668,399)	(786,729)	(553,368)
Other Property and Services		(340,235)	(208,639)	(200,646)
	2 (a)	<u>(7,545,175)</u>	<u>(7,515,778)</u>	<u>(6,719,001)</u>
FINANCE COSTS				
Governance		(45,041)	(1,018)	(3,483)
Health		0	0	(277)
Recreation and Culture		(26,594)	(57,434)	(48,089)
Economic Services		(7,441)	(18,273)	(21,398)
	2 (a)	<u>(79,076)</u>	<u>(76,725)</u>	<u>(73,247)</u>
NET RESULT		<u>790,203</u>	<u>326,366</u>	<u>1,445,442</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		0	0	0
TOTAL COMPREHENSIVE INCOME		<u><u>790,203</u></u>	<u><u>326,366</u></u>	<u><u>1,445,442</u></u>

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

**SHIRE OF MERREDIN
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2011**

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,459,629	2,991,926
Trade and Other Receivables	4	686,423	615,003
Inventories	5	113,612	47,402
TOTAL CURRENT ASSETS		<u>3,259,663</u>	<u>3,654,331</u>
NON-CURRENT ASSETS			
Other Receivables	4	57,945	38,559
Inventories	5	587,728	692,094
Property, Plant and Equipment	6	14,431,206	13,497,890
Infrastructure	7	40,801,577	40,241,433
TOTAL NON-CURRENT ASSETS		<u>55,878,456</u>	<u>54,469,976</u>
TOTAL ASSETS		<u>59,138,119</u>	<u>58,124,307</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	937,152	646,157
Long Term Borrowings	9	114,237	119,684
Provisions	10	486,397	401,967
TOTAL CURRENT LIABILITIES		<u>1,537,786</u>	<u>1,167,808</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	1,124,259	1,222,634
Provisions	10	28,956	76,950
TOTAL NON-CURRENT LIABILITIES		<u>1,153,215</u>	<u>1,299,584</u>
TOTAL LIABILITIES		<u>2,691,001</u>	<u>2,467,392</u>
NET ASSETS		<u>56,447,118</u>	<u>55,656,915</u>
EQUITY			
Retained Surplus		28,956,592	28,144,165
Reserves - Cash Backed	11	1,680,528	1,702,752
Reserves - Asset Revaluation	12	25,809,998	25,809,998
TOTAL EQUITY		<u>56,447,118</u>	<u>55,656,915</u>

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

**SHIRE OF MERREDIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2011**

	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2009	26,927,128	1,474,347	25,809,998	54,211,473
Net Result	1,445,442	0	0	1,445,442
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	(228,405)	228,405	0	0
Balance as at 30 June 2010	28,144,165	1,702,752	25,809,998	55,656,915
Net Result	790,203	0	0	790,203
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	22,224	(22,224)	0	0
Balance as at 30 June 2011	28,956,592	1,680,528	25,809,998	56,447,118

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

**SHIRE OF MERREDIN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$	2010 \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,580,446	2,519,006	2,382,249
Operating Grants, Subsidies and Contributions		2,241,288	1,872,822	1,185,300
Fees and Charges		1,850,343	2,301,039	2,131,896
Interest Earnings		174,675	70,667	104,885
Goods and Services Tax		53,412	350,000	437,425
Other Revenue		195,334	6,000	17,884
		<u>7,095,498</u>	<u>7,119,534</u>	<u>6,259,639</u>
Payments				
Employee Costs		(2,984,240)	(2,766,729)	(2,912,834)
Materials and Contracts		(2,002,723)	(3,014,963)	(1,877,342)
Utility Charges		(351,660)	(371,764)	(294,856)
Insurance Expenses		(220,351)	(222,230)	(163,793)
Interest expenses		(85,564)	(76,725)	(75,373)
Goods and Services Tax		(68,099)	(350,000)	(474,471)
Other Expenditure		(87,932)	(158,837)	(139,160)
		<u>(5,800,569)</u>	<u>(6,961,248)</u>	<u>(5,937,829)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>1,294,929</u>	<u>158,286</u>	<u>321,810</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(50,468)	(2,037,000)	(21,154)
Payments for Purchase of Property, Plant & Equipment		(2,236,431)	(1,550,785)	(2,157,096)
Payments for Construction of Infrastructure		(1,307,388)	(1,322,458)	(1,243,562)
Grants and Contributions used for the Development of Assets		1,215,693	1,180,700	2,150,795
Proceeds from Sale of Plant & Equipment		504,124	1,399,000	278,988
Proceeds from Sale of Land Held for Resale		149,091	0	739,091
		<u>149,091</u>	<u>0</u>	<u>739,091</u>
Net Cash Provided By (Used In) Investing Activities		<u>(1,725,379)</u>	<u>(2,330,543)</u>	<u>(252,938)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(1,364,247)	(119,686)	(185,128)
Proceeds from Self Supporting Loans		1,975	1,975	1,868
Proceeds from New Debentures		1,260,425	625,000	250,000
		<u>1,260,425</u>	<u>625,000</u>	<u>250,000</u>
Net Cash Provided By (Used In) Financing Activities		<u>(101,847)</u>	<u>507,289</u>	<u>66,740</u>
Net Increase (Decrease) in Cash Held		<u>(532,297)</u>	<u>(1,664,968)</u>	<u>135,612</u>
Cash at Beginning of Year		2,991,926	2,997,266	2,856,314
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>2,459,629</u></u>	<u><u>1,332,298</u></u>	<u><u>2,991,926</u></u>

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

**SHIRE OF MERREDIN
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$
REVENUE			
Governance		110,860	43,000
General Purpose Funding		2,073,121	1,527,800
Law, Order, Public Safety		187,698	188,500
Health		8,971	11,852
Education and Welfare		1,000	500
Housing		77,512	65,300
Community Amenities		1,141,988	1,586,387
Recreation and Culture		763,663	654,774
Transport		956,775	850,400
Economic Services		169,684	133,350
Other Property and Services		375,905	271,000
		<u>5,867,177</u>	<u>5,332,863</u>
EXPENSES			
Governance		(829,252)	(561,130)
General Purpose Funding		(126,324)	(99,680)
Law, Order, Public Safety		(290,621)	(275,170)
Health		(232,755)	(188,421)
Education and Welfare		(18,164)	(29,120)
Housing		(163,560)	(136,880)
Community Amenities		(729,256)	(871,667)
Recreation & Culture		(2,159,554)	(2,414,929)
Transport		(2,058,690)	(1,934,865)
Economic Services		(675,840)	(805,002)
Other Property and Services		(340,235)	(208,639)
		<u>(7,624,251)</u>	<u>(7,525,503)</u>
Net Operating Result Excluding Rates		(1,757,074)	(2,192,640)
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		70,804	(247,387)
Movement in Accrued Interest		(6,488)	0
Movement in Deferred Pensioner Rates (Non-Current)		(21,474)	0
Movement in Accrued Salaries and Wages		11,756	0
Movement in Employee Benefit Provisions		36,554	0
Depreciation and Amortisation on Assets		1,423,006	1,204,967
Purchase Land and Buildings		(933,019)	(1,517,000)
Purchase Infrastructure Assets - Roads		(1,235,026)	(1,215,958)
Purchase Infrastructure Assets - Parks		0	(61,500)
Purchase Infrastructure Assets - Footpath		(40,947)	(45,000)
Purchase Infrastructure Assets - Subdivisional Costs		(50,469)	(520,000)
Purchase Plant and Equipment		(1,240,885)	(1,474,000)
Purchase Furniture and Equipment		(62,527)	(76,785)
Purchase Drainage		(31,416)	0
Proceeds from Disposal of Assets		653,215	1,399,000
Repayment of Debentures		(1,364,247)	(119,686)
Proceeds from New Debentures		1,260,425	625,000
Self-Supporting Loan Principal Income		1,975	1,975
Transfers to Reserves (Restricted Assets)		(1,359,617)	(1,311,269)
Transfers from Reserves (Restricted Assets)		1,381,841	1,756,924
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		1,326,659	1,274,353
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		610,323	0
Amount Required to be Raised from Rates	22	<u>(2,547,277)</u>	<u>(2,519,006)</u>

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

(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 on the statement of financial position.

(e) Trade and Other Receivables

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

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

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

Land Held for Resale

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

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

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

(g) Fixed Assets

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

Initial Recognition

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

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.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

All non-current assets having a limited useful life 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 rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

Gains and losses on disposals are determined by comparing proceeds with with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments

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

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

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.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

(v) Financial liabilities

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

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(i) 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 the reporting 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 reporting 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 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.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

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

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 *'Impairment of Assets'* and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

(k) Trade and Other Payables

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

(l) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to reporting date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(m) Borrowing Costs

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 to settle the obligation; 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.

Provisions are not recognised for future operating losses.

(o) Leases

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

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

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

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

(p) Joint Venture

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

(q) Rates, Grants, Donations and Other Contributions

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

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees.

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 annual reporting period ending 30 June 2011.

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 124 – Related Party Disclosures	December 2009	01 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv) AASB 2009 -12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.

**SHIRE OF MERRREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(vii) AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	01 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	01 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix) AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]	November 2010	01 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The Council is not expected to have any qualifying transfers.
(x) AASB 2010 - 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2010	01 January 2013	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(xi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 1 & 7]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) (Continued)			
AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	01 July 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009- 14 Amendments to Australian Interpretations -- Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	01 January 2011	
AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	

Notes:

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2009 - 5
AASB 2009 - 8
AASB 2009 - 10
AASB 2009 - 13
AASB 2010 - 1
AASB 2010 - 3

Interpretation 19

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES	2011	2010
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	13,500	13,000
- Other Services	<u>5,370</u>	<u>4,891</u>
Depreciation		
Buildings	253,960	224,673
Furniture and Equipment	47,058	40,771
Plant and Equipment	374,744	305,609
Roads, Parks & Ovals	711,192	746,359
Footpaths	18,000	18,000
Drainage	<u>18,052</u>	<u>18,000</u>
	<u>1,423,006</u>	<u>1,353,412</u>
Interest Expenses (Finance Costs)		
Finance Lease Charges		
Other	871	0
Debentures (<i>refer Note 21(a)</i>)	<u>78,205</u>	<u>73,247</u>
	<u>79,076</u>	<u>73,247</u>
Rental Charges		
- Operating Leases	<u>25,598</u>	<u>0</u>
(ii) Crediting as Revenue:	2011	2011
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	68,165	45,000
- Other Funds	58,768	10,667
Other Interest Revenue (<i>refer note 26</i>)	<u>47,742</u>	<u>15,000</u>
	<u>174,675</u>	<u>70,667</u>
	<u>174,675</u>	<u>104,885</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

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

Activities: Administration and operations of facilities and services to members of Council.

Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer community.

Activities: Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Objective: To provide an operational framework for good community health.

Activities: Food quality and pest control, inspection of abattoir and support of child health services.

EDUCATION AND WELFARE

Objective: To meet the needs of the community in these areas.

Activities: Support day care centres and pre school facilities and assistance to senior citizens and retirement villages and other voluntary services.

HOUSING

Objective: To provide subsidised housing to promote youth employment in Merredin.

Activities: Maintenance and rentals of single persons units and other housing.

COMMUNITY AMENITIES

Objective: Provide sanitary and essential services required by the community.

Activities: Refuse collection services, operation of refuse sites, administration of town planning scheme, cemetery services and maintenance, environmental services, urban stormwater drainage, women's rest centre and other development services.

RECREATION AND CULTURE

Objective: To establish and maintain efficiently infrastructure and resources which will help the social well being of the community.

Activities: Maintenance of halls, aquatic centre, recreation centre and reserves, parks and gardens, regional library service, cultural and heritage services and facilities.

TRANSPORT

Objective: To provide effective and efficient transport services to the community.

Activities: Maintenance of streets, roads, footpaths, street lighting and cleaning, parking areas, transport licensing services on behalf of the Department of Transport.

ECONOMIC SERVICES

Objective: To help promote the Shire and improve its economic well being and provide medical services or assistance to the community.

Activities: Noxious weed control, tourism and area promotion, community development and coordination, building control and services, activities related to medical locum and other economic services.

OTHER PROPERTY AND SERVICES

Objective: To provide effective public and private works operations and ensure plant maintenance occurs as required.

Activities: Private works operations, public works operation, plant operation costs, gross salaries and wages.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance (*) 1-Jul-09 \$	Received (+) 2009/10 \$	Expended (#) 2009/10 \$	Closing Balance (*) 30-Jun-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance 30-Jun-11 \$
Grant/Contribution	Function/ Activity							
Roads to Recovery	Transport		461,961	(343,010)	118,951	348,056	(467,007)	0
Regional Road Group	Transport				0	362,495	(362,495)	0
WA Local Government Grants Commission	Transport				0	208,254	(208,254)	0
WA Local Government Grants Commission	General Purpose				0	285,699	(285,699)	0
Royalties for Regions	Community Amenities	966,402	0	(936,502)	29,900	126,933	(156,833)	0
Royalties for Regions	Community Amenities				0	20,000	(12,770)	7,230
Department of Culture & The Arts	Community Amenities				0	50,000	(50,000)	0
Wheatbelt Development Commission Regional Grant Scheme	Community Amenities				0	85,000	(85,000)	0
Lottery West	Community Amenities				0	270,700	(270,700)	0
Department of Environment & Water	Community Amenities				0	10,000	(10,000)	0
Office of Crime Prevention	Parks & Gardens				0	19,442	0	19,442
Department of Infrastructure	Community Amenities				0	30,000	(11,000)	19,000
Lottery West	Community Amenities				0	20,000	(14,300)	5,700
Business Donations					0	1,818	0	1,818
Total		966,402	461,961	(1,279,512)	148,851	1,838,397	(1,934,058)	53,190

Notes:

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

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

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

The closing balance of \$53,190 has been classified restricted and this amount is held in the Municipal Bank Account.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	3,450	3,300
Cash at Bank - Municipal	775,651	1,285,874
Cash at Bank Reserves - Restricted	1,680,528	1,702,752
	<u>2,459,629</u>	<u>2,991,926</u>
The following is a reconciliation of the municipal funds above:		
Unrestricted	722,471	1,137,023
Restricted	53,180	148,851
	<u>775,651</u>	<u>1,285,874</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Employee Entitlement Reserve	257,676	103,792
Plant Reserve	250,000	233,238
Heritage Reserve	6,300	6,060
Annual Leave Reserve	0	69,081
Building Reserve	303,802	239,838
Land and Development Reserve	513,637	542,609
Doctors Housing Reserve	0	10,713
Disaster Relief Reserve	6,707	6,450
Recreation Facilities Reserve	188,990	0
Road Reinstatement Reserve	21,921	21,086
Cummings Street Units Reserve	34,024	43,517
Unspent Grants Reserve	0	0
Building Maintenance Reserve	0	20,969
Waste Management Reserve	36,663	213,216
FESA Levy Reserve	7,505	7,219
Environmental Initiatives Reserve	53,303	51,272
MRC&LC Reserve	0	105,032
Merredin Memorial Pool Reserve	0	28,660
	<u>1,680,528</u>	<u>1,702,752</u>
Other:		
Municipal Cash at Bank - Restricted:		
Unspent Grants (Refer to Note 2(c))	53,190	148,851
	<u>53,190</u>	<u>148,851</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	193,570	248,213
Sundry Debtors	459,998	348,735
Less: Provision for Doubtful Debts	(30,000)	(30,000)
GST Receivable	60,767	46,080
Loans - Clubs/Institutions	2,088	1,975
	<u>686,423</u>	<u>615,003</u>
Non-Current		
Rates Outstanding - Pensioners	49,657	28,183
Loans - Clubs/Institutions	8,288	10,376
	<u>57,945</u>	<u>38,559</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2010 \$
5. INVENTORIES		
Current		
Fuel and Materials	55,446	47,402
Land Held for Resale - Cost	58,166	0
	<u>113,612</u>	<u>47,402</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	188,758	343,592
Development Costs	398,970	348,502
	<u>587,728</u>	<u>692,094</u>
 6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	13,636,606	12,708,670
Less Accumulated Depreciation	<u>(2,292,639)</u>	<u>(2,043,761)</u>
	11,343,968	10,664,909
 Furniture and Equipment - Cost	912,670	852,267
Less Accumulated Depreciation	<u>(626,078)</u>	<u>(581,144)</u>
	286,592	271,123
 Plant and Equipment - Cost	4,588,671	4,515,551
Less Accumulated Depreciation	<u>(1,788,025)</u>	<u>(1,953,693)</u>
	2,800,646	2,561,858
	<u>14,431,206</u>	<u>13,497,890</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	10,664,909	271,123	2,561,858	13,497,890
Additions	933,019	62,527	1,240,885	2,236,431
(Disposals)	0	0	(628,112)	(628,112)
Depreciation (Expense)	(253,960)	(47,058)	(374,744)	(675,762)
Carrying amount at the end of year	<u>11,343,968</u>	<u>286,592</u>	<u>2,799,887</u>	<u>14,430,447</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	70,537,523	69,302,496
Less Accumulated Depreciation	<u>(31,542,119)</u>	<u>(30,836,722)</u>
	38,995,404	38,465,774
Footpaths - Cost	1,024,304	983,357
Less Accumulated Depreciation	<u>(412,778)</u>	<u>(394,778)</u>
	611,526	588,579
Drainage - Cost	922,638	891,222
Less Accumulated Depreciation	<u>(413,240)</u>	<u>(395,187)</u>
	509,398	496,035
Parks & Ovals - Cost	696,465	696,465
Less Accumulated Depreciation	<u>(11,216)</u>	<u>(5,420)</u>
	685,249	691,045
	<u>40,801,577</u>	<u>40,241,433</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads	Footpaths	Drainage	Parks and Ovals	Total
	\$	\$	\$	\$	\$
Balance at the beginning of the year	38,465,774	588,579	496,035	691,045	40,241,433
Additions	1,235,026	40,947	31,416	0	1,307,389
Depreciation (Expense)	(705,396)	(18,000)	(18,053)	(5,796)	(747,245)
Carrying amount at the end of year	<u>38,995,404</u>	<u>611,526</u>	<u>509,398</u>	<u>685,249</u>	<u>40,801,577</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	910,647	624,920
Accrued Interest on Debentures	4,646	11,134
Accrued Salaries and Wages	21,859	10,103
	<u>937,152</u>	<u>646,157</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	<u>114,237</u>	<u>119,684</u>
	<u>114,237</u>	<u>119,684</u>
Non-Current		
Secured by Floating Charge Debentures	<u>1,124,259</u>	<u>1,222,634</u>
	<u>1,124,259</u>	<u>1,222,634</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	238,864	264,052
Provision for RDO	13,879	0
Provision for Long Service Leave	233,654	137,915
	<u>486,397</u>	<u>401,967</u>
Non-Current		
Provision for Long Service Leave	<u>28,956</u>	<u>76,950</u>
	<u>28,956</u>	<u>76,950</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(a) Employee Entitlement Reserve			
Opening Balance	103,792	103,792	112,976
Amount Set Aside / Transfer to Reserve	153,884	0	2,816
Amount Used / Transfer from Reserve	0	(28,000)	(12,000)
	<u>257,676</u>	<u>75,792</u>	<u>103,792</u>
(b) Plant Replacement Reserve			
Opening Balance	233,238	233,238	511,380
Amount Set Aside / Transfer to Reserve	808,262	719,998	81,268
Amount Used / Transfer from Reserve	(791,500)	(799,500)	(359,410)
	<u>250,000</u>	<u>153,736</u>	<u>233,238</u>
(c) Heritage Reserve			
Opening Balance	6,060	6,060	5,912
Amount Set Aside / Transfer to Reserve	240	0	148
Amount Used / Transfer from Reserve	0	0	0
	<u>6,300</u>	<u>6,060</u>	<u>6,060</u>
(d) Annual Leave Reserve			
Opening Balance	69,081	69,081	67,484
Amount Set Aside / Transfer to Reserve	0	5,623	1,597
Amount Used / Transfer from Reserve	(69,081)	(20,000)	0
	<u>0</u>	<u>54,704</u>	<u>69,081</u>
(e) Building Reserve			
Opening Balance	239,838	239,838	133,421
Amount Set Aside / Transfer to Reserve	63,964	0	134,759
Amount Used / Transfer from Reserve	0	0	(28,342)
	<u>303,802</u>	<u>239,838</u>	<u>239,838</u>
(f) Land and Development Reserve			
Opening Balance	542,609	542,609	240,923
Amount Set Aside / Transfer to Reserve	21,497	307,387	301,686
Amount Used / Transfer from Reserve	(50,469)	(520,000)	0
	<u>513,637</u>	<u>329,996</u>	<u>542,609</u>
(g) Doctors Housing Reserve			
Opening Balance	10,713	10,713	12,888
Amount Set Aside / Transfer to Reserve	0	0	325
Amount Used / Transfer from Reserve	(10,713)	(10,646)	(2,500)
	<u>0</u>	<u>67</u>	<u>10,713</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(continued)			
(h) Recreation Facilities Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	188,990	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>188,990</u>	<u>0</u>	<u>0</u>
(i) Disaster Relief Reserve			
Opening Balance	6,450	6,450	6,292
Amount Set Aside / Transfer to Reserve	257	0	158
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>6,707</u>	<u>6,450</u>	<u>6,450</u>
(j) Road Reinstatement Reserve			
Opening Balance	21,086	21,086	20,568
Amount Set Aside / Transfer to Reserve	835	0	518
Amount Used / Transfer from Reserve	<u>0</u>	<u>(18,363)</u>	<u>0</u>
	<u>21,921</u>	<u>2,723</u>	<u>21,086</u>
(k) Unspent Grants Reserve			
Opening Balance	0	0	19,480
Amount Set Aside / Transfer to Reserve	0	0	389
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(19,869)</u>
	<u>0</u>	<u>0</u>	<u>0</u>
(l) Cummings Street Units Reserve			
Opening Balance	43,517	43,517	52,592
Amount Set Aside / Transfer to Reserve	10,924	7,500	8,675
Amount Used / Transfer from Reserve	<u>(20,417)</u>	<u>(18,415)</u>	<u>(17,750)</u>
	<u>34,024</u>	<u>32,602</u>	<u>43,517</u>
(m) General Building Maintenance Reserve			
Opening Balance	20,969	20,969	23,174
Amount Set Aside / Transfer to Reserve	0	117,762	12,575
Amount Used / Transfer from Reserve	<u>(20,969)</u>	<u>(20,000)</u>	<u>(14,780)</u>
	<u>0</u>	<u>118,731</u>	<u>20,969</u>
(n) Waste Management Reserve			
Opening Balance	213,216	213,216	126,718
Amount Set Aside / Transfer to Reserve	108,447	103,000	86,498
Amount Used / Transfer from Reserve	<u>(285,000)</u>	<u>(310,000)</u>	<u>0</u>
	<u>36,663</u>	<u>6,216</u>	<u>213,216</u>
(o) FESA Levy Reserve			
Opening Balance	7,219	7,219	7,042
Amount Set Aside / Transfer to Reserve	286	0	177
Amount Used / Transfer from Reserve	<u>-</u>	<u>0</u>	<u>0</u>
	<u>7,505</u>	<u>7,219</u>	<u>7,219</u>
(p) Environmental Initiatives Reserve			
Opening Balance	51,272	51,272	51,965
Amount Set Aside / Transfer to Reserve	2,031	0	1,307
Amount Used / Transfer from Reserve	<u>0</u>	<u>(12,000)</u>	<u>(2,000)</u>
	<u>53,303</u>	<u>39,272</u>	<u>51,272</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(continued)			
(q) MRC&LC Reserve			
Opening Balance	105,032	105,032	53,574
Amount Set Aside / Transfer to Reserve	0	50,000	51,458
Amount Used / Transfer from Reserve	<u>(105,032)</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>155,032</u>	<u>105,032</u>
(r) Merredin District Olympic Pool Reserve			
Opening Balance	28,660	28,660	27,957
Amount Set Aside / Transfer to Reserve	0	0	2,703
Amount Used / Transfer from Reserve	<u>(28,660)</u>	<u>0</u>	<u>(2,000)</u>
	<u>0</u>	<u>28,660</u>	<u>28,660</u>
 TOTAL CASH BACKED RESERVES	 <u>1,680,528</u>	 <u>1,257,098</u>	 <u>1,702,752</u>

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3.

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

Employee Entitlement Reserve

- to be utilised to fund staff long service leave as required. Not anticipated to be used in a set period as further transfer to this reserve are expected as funds are utilised.

Plant Replacement Reserve

- to be utilised to fund future capital plant purchases. Tied into funding the 7 year Plant Replacement Program.

Heritage Reserve

- to be utilised to fund future extension works at Cummins Theatre. Not anticipated to be utilised in a definitive period as further deliberations are needed.

Annual Leave Reserve

- to be utilised to fund staff annual leave as required. Not anticipated to be used in a set period as further transfers to this reserve are expected as funds are utilised.

During 2010/11 financial period it was decided to transfer this reserve to Employee Entitlement Reserve as per the Reserve Policy.

Building Reserve

- to be utilised to fund future building construction within the Shire of Merredin. Not anticipated to be utilised in a set period until further funds are made available to this reserve.

Land and Development Reserve

- to be utilised to fund major land development/purchases within the Shire of Merredin.

Recreation Facilities Reserve

- to be utilised to fund future extensions at Recreation Ground. Not anticipated to be fully utilised until a final decision on the new sports complex is made.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

11. RESERVES - CASH BACKED

(continued)

Disaster Relief Reserve

- to be utilised to contribute to liabilities arising from a natural disaster.

Road Reinstatement Reserve

- to be utilised for emergency repairs to road infrastructure. Not anticipated to be utilised in a set period.

Unspent Grants Reserve

- to be utilised as a cash funding source for unexpended budgeted projects not completed in previous financial year. To be expended in the following financial year.

Cummings Street Units Reserve

- to be utilised to fulfil maintenance and capital costs associated with Homeswest Joint Venture in Cummings Street, in accordance with legal agreement.

General Building Maintenance Reserve

- to be utilised to fund future upgrades of Council's buildings. Not anticipated to be utilised in a set period. During 2010/11 financial period it was decided to transfer this reserve to Building Reserve as per the Reserve Policy.

Waste Management Reserve

- to be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision and management of waste facilities, machinery for the disposal of waste and processes for dealing with waste.

FESA Levy Reserve

- Holding Reserve for the balance of FESA levy funding from previous years to be utilised under FESA direction.

Environmental Initiatives Reserve

- to be utilised for the research and development into initiatives designed to use the saline water below Merredin or similar type environmental projects.

MRC&LC Reserve

- To be utilised for the Merredin Regional Community & Leisure Centre. During 2010/11 financial period it was decided to transfer this reserve to Recreation Reserve as per the Reserve Policy.

Merredin District Olympic Pool Reserve

- To be utilised for the maintenance and development of the Merredin Pool. During 2010/11 financial period it was decided to transfer this reserve to Recreation Reserve as per the Reserve Policy.

12. RESERVES - ASSET REVALUATION

	2011	2010
	\$	\$

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(b) **Roads**

Opening Balance	25,809,998	25,809,998
Revaluation Increment	0	0
Revaluation Decrement	0	0
	25,809,998	25,809,998
TOTAL ASSET REVALUATION RESERVES	25,809,998	25,809,998

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2011 \$	2011 Budget \$	2010 \$
Cash and Cash Equivalents	<u>2,459,629</u>	<u>1,332,298</u>	<u>2,991,926</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	790,203	326,366	1,445,442
Depreciation	1,423,006	1,204,967	1,353,412
(Profit)/Loss on Sale of Asset	70,804	(247,387)	(419,574)
(Increase)/Decrease in Receivables	(92,780)	348,350	129,328
(Increase)/Decrease in Inventories	(8,042)	(2,598)	(16,576)
Increase/(Decrease) in Payables	290,995	(290,712)	(22,413)
Increase/(Decrease) in Employee Provisions	36,436	0	2,986
Grants/Contributions for the Development of Assets	<u>(1,215,693)</u>	<u>(1,180,700)</u>	<u>(2,150,795)</u>
Net Cash from Operating Activities	<u>1,294,929</u>	<u>158,286</u>	<u>321,810</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit	140,000		140,000
Bank Overdraft at Balance Date	0		0
Credit Card limit	3,000		3,000
Credit Card Balance at Balance Date	0		0
Total Amount of Credit Unused	<u>143,000</u>		<u>143,000</u>
Loan Facilities			
Loan Facilities - Current	114,237		119,684
Loan Facilities - Non-Current	1,124,259		1,222,634
Total Facilities in Use at Balance Date	<u>1,238,496</u>		<u>1,342,318</u>
Unused Loan Facilities at Balance Date	<u>0</u>		<u>0</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

14. CONTINGENT LIABILITIES

The Shire of Merredin has no Contingent Liabilities as at 30 June 2011.

15. CAPITAL AND LEASING COMMITMENTS	2011 \$	2010 \$
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	13,538	0
- later than one year but not later than five years	23,148	0
	<u>36,686</u>	<u>0</u>

(c) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects		
- plant & equipment purchases	0	290,000

Payable:

- not later than one year	0	290,000
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The capital expenditure project outstanding at the end of 30 June 2010 represents the purchase cost of a 13 Tonne Truck and 2 Ride On Mowers that were ordered prior to 30th June 2010 but not available for delivery until after year end.

16. JOINT VENTURE

The Shire of Merredin has no Joint Ventures at 30 June 2011.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	1,364,021	1,472,623
Law, Order, Public Safety	94,880	146,730
Health	865,197	934,868
Education and Welfare	184,591	315,243
Housing	287,553	286,557
Community Amenities	1,003,402	1,133,324
Recreation and Culture	7,664,462	7,411,704
Transport	42,439,154	41,248,296
Economic Services	235,719	265,701
Other Property and Services	1,697,696	1,072,357
Unallocated	3,301,444	3,836,904
	<u>59,138,119</u>	<u>58,124,307</u>

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

18. FINANCIAL RATIOS	2011	2010	2009
Current Ratio	0.761	1.812	1.159
Untied Cash to Unpaid Trade Creditors Ratio	0.255	1.825	0.700
Debt Ratio	0.046	0.042	0.043
Debt Service Ratio	0.183	0.042	0.035
Gross Debt to Revenue Ratio	0.172	0.220	0.214
Gross Debt to Economically Realisable Assets Ratio	0.068	0.075	0.076
Rate Coverage Ratio	0.304	0.279	0.255
Outstanding Rates Ratio	0.069	0.094	0.133

The above ratios are calculated as follows:

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

19. TRUST FUNDS

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

	Balance 1-Jul-10 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-11 \$
Community Bus Fund	512	800	0	1,312
Housing Bonds	7,996	2,172	(984)	9,184
Recreation Hall Bonds	500	0	0	500
Possum Trap Bonds	413	100	(100)	413
Unclaimed Monies	300	0	0	300
Hall/Gym Bonds	205	2,500	0	2,705
SBS Transmitter	2,220	0	0	2,220
BCITF Levy	4,177	11,078	(11,785)	3,470
Overpayment of Rates	4,405	0	0	4,405
LCDC Tree Planter Fund	1,271	150	(150)	1,271
Poetry Book Fund	730	0	0	730
Other Bonds	6,350	3,770	0	10,120
Building Reg. Board Levy	1,414	2,118	(2,205)	1,327
Councillor Nomination Fee	480	0	0	480
Youth Advisory Council	154	0	0	154
Solar Power Bonds	0	4,800	(300)	4,500
Pioneer Park Contribution	750	0	0	750
Australian Open Garden Scheme	15	0	0	15
Turf Alliance Fund	0	16,287	0	16,287
Skeleton Weed	2,429	0	0	2,429
Agracorp Merredin Sports Council	1,092	0	0	1,092
Public Open Space	1,500	0	0	1,500
	<u>36,913</u>	<u>43,775</u>	<u>(15,524)</u>	<u>65,164</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

20. DISPOSALS OF ASSETS - 2010/11 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Plant & Equipment						
Governance						
Toyota Aurion (Office Sedan)	15,545	17,000	14,126	18,000	(1,419)	1,000
Toyota Aurion	24,034	0	0	0	(24,034)	0
Ford Falcon - CEO	38,286	41,000	29,082	43,000	(9,204)	2,000
Law, Order, Public Safety						
XI Super Crew Cab - Ranger	22,290	24,000	17,727	24,000	(4,563)	0
Health						
Toyota Aurion - MDS Sedan	26,258	28,000	19,089	28,000	(6,407)	0
Transport						
Utility - Mechanic	12,677	11,000	10,909	15,000	(1,768)	4,000
Utility - Watering	18,280	17,000	15,008	15,000	(3,272)	(2,000)
Backhoe Cat	68,889	73,000	55,000	40,000	(13,889)	(33,000)
Loader	103,376	111,000	74,000	110,000	(29,376)	(1,000)
Tractor Kubota	23,485	25,000	11,500	3,000	(11,985)	(22,000)
Utility Toyota Hilux - Const. Super	16,036	20,000	10,455	15,000	(5,581)	(5,000)
Isuza Tip Truck	85,386	88,000	72,730	90,000	(12,656)	2,000
Toro Mower	17,682	0	21,125	10,000	3,443	10,000
Isuza Tipper Truck	54,393	89,000	76,350	90,000	21,957	1,000
New Holland Tractor	64,896	69,000	48,420	35,000	(16,476)	(34,000)
Tora Groundmaster	21,770	20,000	16,966	20,000	(4,804)	0
Nissan Dx - Maintenance	14,829	14,000	11,637	25,000	(3,192)	11,000
	628,112	647,000	504,124	581,000	(123,226)	(66,000)

Land and Buildings - Land for Resale

Community Amenities

Lot 213 Carrington Way	44,089	44,089	65,455	65,600	21,366	21,511
Lot 233 Cummings Cres.	26,290	26,290	41,818	41,600	15,528	15,310
Lot 235 Cummings Cres.	26,290	26,290	41,818	41,600	15,528	15,310
	96,669	96,669	149,091	148,800	52,422	52,131

Total - all disposals	724,781	743,669	653,215	729,800	(70,804)	(13,869)
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SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-10 \$	New Loans \$	Principal Repayments		Principal 30-Jun-11		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
Professional Housing (50%)	21,016		13,810	13,810	7,206	7,206	1,619	1,018
Amalgamation of Loans		1,260,425	46,717	0	1,213,708	0	42,551	0
Recreation & Culture								
Staff House	103,377		103,377	4,690	0	98,687	2,960	6,716
Merredin Recreation Centre	620,092		620,092	23,293	0	596,799	17,032	38,462
Burracoppin Sporting Club S/S*	12,351		1,975	1,975	10,376	10,376	635	667
Merredin Recreation Centre L2	250,000		250,000	27,085	0	222,915	5,966	11,589
Economic Services								
Professional Housing (50%)	21,016		13,810	13,810	7,206	7,206	0	1,018
Merredin Medical Centre Renov.	114,669		114,669	6,236	0	108,433	2,746	6,233
Whitfield Way Res. Land Dev.	199,797		199,797	28,787	0	171,010	4,696	11,022
	1,342,318	1,260,425	1,364,247	119,686	1,238,496	1,222,632	78,205	76,725

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

(b) New Debentures - 2010/11

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Amalgamation of Loans	1,260,425		WATC	Debenture	10	440,254	6	1,260,425		

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council held no Unspent Debentures as at 30 June 2011.

(d) Overdraft

Council holds an overdraft facility of \$140,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2010 and 30 June 2011 was \$Nil.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

22. RATING INFORMATION - 2010/11 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
GRV	0.097549	1,284	12,852,259	1,279,307			1,279,307	1,253,725			1,253,725
UV	0.011257	410	98,461,491	1,108,381			1,108,381	1,108,381			1,108,381
Sub-Totals		1,694	111,313,750	2,387,688	0	0	2,387,688	2,362,106	0	0	2,362,106
Minimum Rates											
GRV	450	178	598,981	80,100			80,100	80,100			80,100
UV	450	124	4,269,717	55,800			55,800	55,800			55,800
Sub-Totals		302	4,868,698	135,900	0	0	135,900	135,900	0	0	135,900
Ex-Gratia Rates											
Specified Area Rate (refer note 23)							2,523,588				2,498,006
							23,689				25,000
Discounts (refer note 25)							2,547,277				2,523,006
Totals							2,547,277				(4,000)
							2,547,277				2,519,006

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

23. SPECIFIED AREA RATE - 2010/11 FINANCIAL YEAR

The Shire of Merredin did not levy Specified Area Rates in the 2010/2011 financial year.

24. SERVICE CHARGES - 2010/11 FINANCIAL YEAR

No Service Charges were applicable within the Shire of Merredin.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2010/11 FINANCIAL YEAR**

Photocopy Charges are waived for certain community groups such as the Volunteer Bush Fire Bridges Council considers support of these groups necessary for the overall benefit of the community.

The Shire of Merredin did not have a Rates Incentive Program for the 2010/11 financial year.

26. INTEREST CHARGES AND INSTALMENTS - 2010/11 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		31,488	15,000
Interest on Instalments Plan	5.50%		16,254	0
Charges on Instalment Plan		40	10,000	10,000
			57,742	25,000

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2010, 24th November 2010, 2nd February 2011 and 6th April 2011. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2011 \$	2010 \$
Governance	11,214	49,450
General Purpose Funding	10,000	108,441
Law, Order, Public Safety	164,081	155,391
Health	5,404	23,594
Education and Welfare	1,000	268
Housing	20,969	38,965
Community Amenities	708,632	604,977
Recreation and Culture	471,426	533,495
Transport	0	89,271
Economic Services	141,749	129,568
Other Property and Services	315,868	315,738
	1,850,343	2,049,158

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

28. GRANT REVENUE

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

	2011	2010
By Nature and Type:	\$	\$
Operating Grants, Subsidies and Contributions	2,339,643	1,185,300
Non-Operating Grants, Subsidies and Contributions	<u>1,215,693</u>	<u>2,150,795</u>
	<u><u>3,555,336</u></u>	<u><u>3,336,095</u></u>
By Program:		
Governance	75,189	35,000
General Purpose Funding	1,874,148	1,738,174
Law, Order, Public Safety	23,617	38,934
Health	3,567	0
Housing	25,868	0
Community Amenities	2,609	65,931
Recreation and Culture	668,954	509,834
Transport	846,267	934,342
Economic Services	27,936	13,880
Other Property and Services	7,181	0
	<u><u>3,555,336</u></u>	<u><u>3,336,095</u></u>

29. ELECTED MEMBERS REMUNERATION

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

	2011	2011	2010
	\$	Budget	\$
		\$	
Meeting Fees	36,000	36,000	36,000
President's Allowance	11,500	11,500	11,252
Deputy President's Allowance	2,500	2,500	2,500
Councillor Corporate Wardrobe	413	1,000	263
Telecommunications Allowance	685	1,000	0
	<u>51,098</u>	<u>52,000</u>	<u>50,015</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2011	2010
	<u>58</u>	<u>55</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

31. MAJOR LAND TRANSACTIONS

Whitfield Way Residential Subdivision

(a) Details

Council anticipates sales of the Whitfield Way Residential Subdivision in the 2011/12 and 2012/13 financial years. All major development costs are expected to be expended in 2011/12.

	2011 \$	2011 Budget \$	2010 \$
(b) Current year transactions			
Operating Revenue			
- Profit on sale	0	207,387	0
Capital Revenue			
- Sale Proceeds	0	480,000	0
Capital Expenditure			
- Development Costs	50,469	620,000	0
	50,469	620,000	0

The above capital expenditure is included in land held for resale (refer to this financial report).

There are no liabilities in relation to this land transaction as at 30 June 2011.

(c) Expected Future Cash Flows

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	Total \$
Cash Outflows						
- Development Costs	(626,107)	(62,422)				(688,529)
	(626,107)	(62,422)	0	0	0	(688,529)
Cash Inflows						
- Sale Proceeds	640,000	320,000				960,000
	640,000	320,000	0	0	0	960,000
Net Cash Flows	13,893	257,578	0	0	0	271,471

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

31. MAJOR LAND TRANSACTIONS (Continued)

Carrington Way Residential Subdivision

(a) Details

Council anticipates sales of the Carrington Way Residential Subdivision in the 2011/12, 2012/13 and 2013/14 financial years.

All major costs have been incurred by Council in prior years.

	2011 \$	2011 Budget \$	2010 \$
(b) Current year transactions			
Operating Revenue			
- Profit on sale	52,422	100,000	294,297
Capital Revenue			
- Sale Proceeds	149,091	180,000	739,091
Capital Expenditure			
- Development Costs	0	0	21,154
	0	0	21,154

There are no liabilities in relation to this land transaction as at 30 June 2011.

(c) Expected Future Cash Flows

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
	0	0	0	0	0	0
Cash Inflows						
- Loan Proceeds						0
- Sale Proceeds	46,000	46,000	46,000	0	0	138,000
	46,000	46,000	46,000	0	0	138,000
Net Cash Flows	46,000	46,000	46,000	0	0	138,000

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2010/11 financial year.

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	2,459,629	2,991,926	2,459,629	2,991,926
Receivables	744,368	653,562	744,368	653,562
	<u>3,203,997</u>	<u>3,645,488</u>	<u>3,203,997</u>	<u>3,645,488</u>
Financial Liabilities				
Payables	937,152	646,157	937,152	646,157
Borrowings	1,238,496	1,342,318	1,215,173	974,428
	<u>2,175,648</u>	<u>1,988,475</u>	<u>2,152,325</u>	<u>1,620,585</u>

Fair value is determined as follows:

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

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	2011	2010
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	24,596	29,919
- Statement of Comprehensive Income	24,596	29,919

Notes:

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

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

**SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2011	2010
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	61.70%	77.30%
- Overdue	38.30%	22.70%

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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

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

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

	<u>2011</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	937,152	0	0	0	937,152	937,152
Borrowings	188,273	692,453	768,564	1,649,290	1,238,496	1,238,496
	<u>1,125,425</u>	<u>692,453</u>	<u>768,564</u>	<u>2,586,442</u>	<u>2,175,648</u>	<u>2,175,648</u>
Payables	646,157	0	0	646,157	646,157	646,157
Borrowings	196,545	682,383	963,155	1,842,083	1,342,318	1,342,318
	<u>842,702</u>	<u>682,383</u>	<u>963,155</u>	<u>2,488,240</u>	<u>1,988,475</u>	<u>1,988,475</u>

SHIRE OF MERREDIN
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (Continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted
	\$	\$	\$	\$	\$	\$	\$	Average
								Effective
								Interest Rate
								%
Year Ended 30 June 2011								
Borrowings								
Fixed Rate								
Debentures	14,412			10,376	1,213,708		1,238,496	6.07%
Weighted Average Effective Interest Rate	5.78%			5.62%	6.08%			
Year Ended 30 June 2010								
Borrowings								
Fixed Rate								
Debentures		42,034				1,300,284	1,342,318	5.98%
Weighted Average Effective Interest Rate	0.00%	5.68%	0.00%	0.00%	0.00%	5.99%		

25 October 2011

The Shire President
Shire of Merredin
Po Box 42
MERREDIN WA 6415

SHIRE OF MERREDIN	
DATE RECEIVED:	
LOCAL GOV	DPD
INFO SH	WDE
PROJECT MGR	MFA
RATES/PAY	MCS
FINANCE	MNKS
CECPO	PRESTON
FILE REF	Fm201

Dear Cr Hooper

MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2011

We advise that we have completed our audit procedures for the year ended 30th June 2011 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

Comments on Ratios

Outstanding Rates Ratio

The outstanding rates ratio as at 30 June 2011 was 6.9%. This represents an improvement on the 9.4% reported as at 30 June 2010 and the 13.3% reported as at 30 June 2009.

Whilst this ratio is still above the industry benchmark of 5% it would appear the rate collection procedures implemented are having a positive effect.

We noted no other matters we wish to draw to Council's attention.

Uncorrected Misstatements

We advise there were no uncorrected misstatements noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully


GREG GODWIN
PARTNER

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF MERREDIN**

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Merredin, which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

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

- a giving a true and fair view of the Shire's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

Report on Other Legal and Regulatory Requirements

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

Annual Financial Report

The Annual Financial Report for the year ended 30 June 2010 was not submitted to the Director General of the Department of Local Government within 30 days of the auditor's report becoming available as required by Financial Management Regulation 51 (2).

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

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


UHY HAINES NORTON
CHARTERED ACCOUNTANTS

Date: 25 October 2011
Perth, WA


GREG GODWIN
PARTNER