

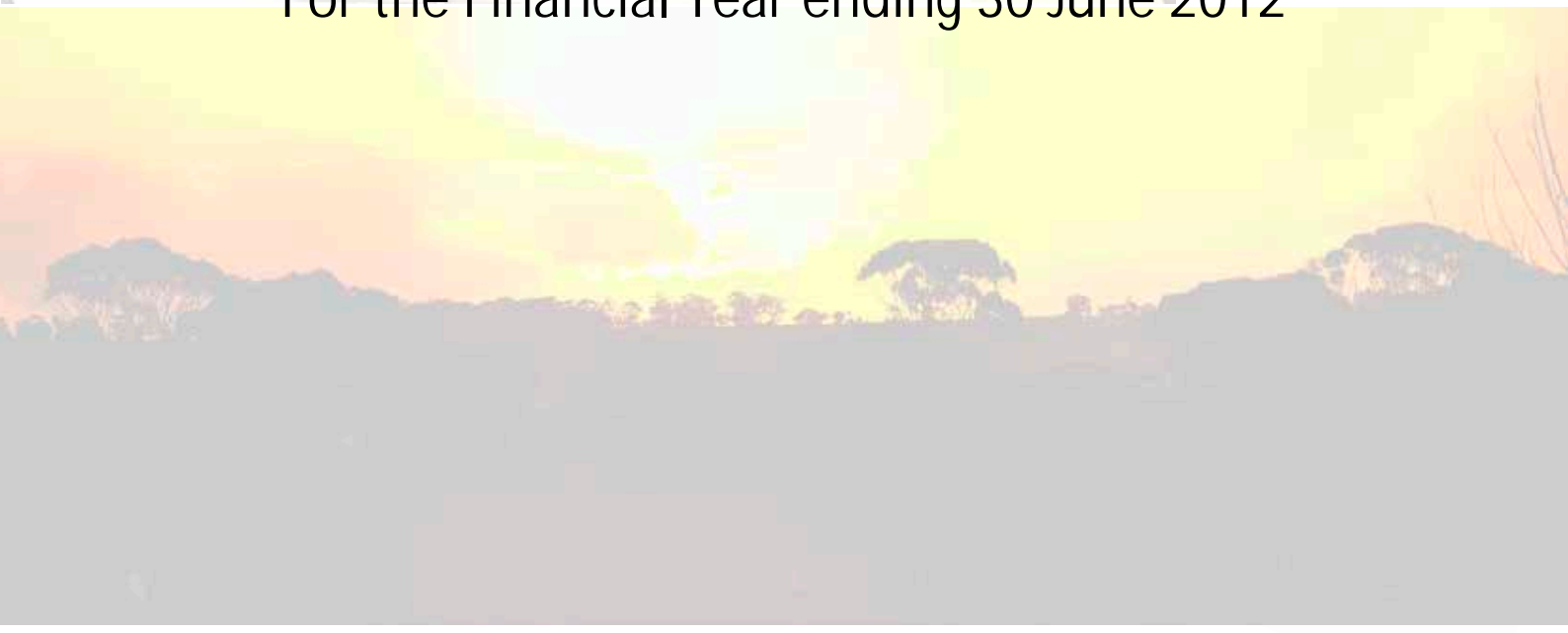


Shire of Merredin

Heart of the Wheatbelt

Annual Report

For the Financial Year ending 30 June 2012



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Shire President's Report



Council

I feel very privileged to have been elected Shire President in October 2011 and am pleased to present this report.

The October 2011 Local Government Election saw some changes to the Council. We welcomed four new Councillors Tracey McFarlane, Dionne Hayes-Thompson, Bradley Anderson and Debbie Morris and saw the re-election of Ken Hooper and Mark Crees. We also farewelled Councillors Julie Townrow, Pam Forbes, Asha Carr and Maria Young.

Planning for the Future

In August 2010, the Minister for Local Government introduced regulations which establish new requirements for the Plan for the Future under the Local Government Act 1995. Under these regulations, all local governments in Western Australia will be required to have developed and adopted two key documents by 30 June 2013: a Strategic Community Plan and a Corporate Business Plan. These plans will drive the development of each local government's 2013/14 Annual Budget and will ultimately help local governments plan for the future of their communities.

The Shire of Merredin is well on track with this Planning process.

After much Community consultation the Shire of Merredin's Strategic Plan was completed this year. This plan will enable the Shire to attract funding and other support to achieve our vision and strategic goals for a liveable, naturally resourceful and developing Merredin.

Staff are in the process of finalising our Asset Management and Long Financial Plan which will ensure its completion by 2013.

Projects

In addition to our Roadworks construction program other projects that have been either completed or progressed include:

Water Storage Dam

The new water storage dam was completed on the west side of town and compliments the existing dams. The construction of the dam will allow the Shire of Merredin to be less reliant on the pipeline for its supply of water to its Parks and Gardens. As well as the construction of the new dam, the project involved the installation of a cover by Aqua Guardian which will reduce the amount of evaporation.

The majority (\$800,000) of this project was funded by the Commonwealth and State Governments.



Grain Freight

This continues to be a concern for Council, with the debate on Grain on Rail/Road ongoing, the amount of Grain on our roads increases. While funding was provided to improve some roads, a number of other roads still require major work to be able to support the extra heavy traffic. We will continue to negotiate with Main Roads WA on improving the road network.

Working Together As A Region

The Shire of Merredin continues to work on regional projects with our neighbouring Shires as part of WEROC and GECZ. As part on the Country Local Government Fund Regional Project, WEROC are in the process of commencing construction on a number of new houses in Merredin and the surrounding Shires.

WEROC – Wheatbelt Eastern Regional Organisation of Councils (Merredin, Bruce Rock, Kellerberrin, Westonia and Yilgarn)

GECZ - Great Eastern Country Zone

Aged Care And Accommodation

WEROC in conjunction with Wheatbelt Development Commission have commissioned a report on Aged Care and Accommodation throughout the region. This report is due to be completed in November 2012 and will highlight what is lacking in the Region and what some of the solutions maybe.

Infrastructure

The State and Federal Government continue to play an important role in the growth of Merredin. Over the past year we have seen the development of the Merredin College and Residential Hostel, the Southern Inland Health Initiative and the construction of Merredin Energy. Merredin plays a major role in building the Region.

On behalf of all the Councillors and staff I would like to thank the Community for their continued support throughout the year. I would also like to thank and acknowledge the CEO, Greg Powell and the staff for all their work.

I look forward to working together with Council, Staff and the Community to ensure Merredin achieves its Vision and Strategic Goals.



Cr Donna Crook
Shire President



Chief Executive Officer's Report

Long Term Strategic Planning

The State Government has legislated for Councils to develop a number of documents guiding strategic planning. Merredin has completed its community consultation process and working towards completion of the rest of the informing strategies by the due date of 1 July 2013. Council has been ably assisted by consultants in this process and has been provided with limited funding to undertake the task.

It remains problematic that both human and financial resources will be limited as the process goes forward posing strains on existing staff and impacting on Council's bottom line.

Local Planning Scheme No. 6

Local Planning Scheme 6 (LPS6) was finalised late in the last financial year. Work had already commenced on the first amendment to LPS6 as it had taken a number of years to complete the new Scheme and with the amendment Council's planning tools will be up to date and able to meet the needs of the community.

Major Projects

Council secured funding for two major projects. A new water storage dam was constructed to complement the existing dams. A device to limit evaporation has also been installed on the new dam. 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 was provided by both the Commonwealth and State Governments with Council funding the balance.

The construction of a synthetic playing surface for hockey and tennis has also commenced with completion due in late 2012 at a cost of around \$1.7 million. This is being funded from Councils Royalties for Regions allocation.

The Shire President's Report contains details of other initiatives undertaken by Council. It is becoming evident that in order to attract funding and to secure the long term future of Merredin, there is a need to work collaboratively with our neighbours. This is being achieved through the ROC's and I look forward to some new and innovative outcomes in the coming years particularly to address infrastructure shortfalls.

I would like to thank Council and all staff in achieving what we have to date.



Greg Powell
Chief Executive Officer



Plan for the Future

Council's Strategic Community 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

Land Development

Carrington Way

There are only 2 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 proceeded with Stage Two of the Whitfield Way subdivision creating 12 special residential lots of between 4,768m² and 6,823m². The proposal included the construction of sealed access roads, provision of reticulated water, underground power and telecommunications services. The land was developed using funds from Council's Land Development Reserve and an allocation from the 2011/2012 Budget.

Lots within Whitfield Way Stage One were sold quickly and it was anticipated, given the level of interest already shown, that Stage Two would be just as readily received. This was not the case. The auction of the lots took place on 28 April 2012 however no sales were achieved. One lot has since sold but the interest that was initially expected has not eventuated. This has resulted in other land development projects and notably the unit development on South Avenue not proceeding



Road Construction/Maintenance

Council has continued to enhance road, footpath and drainage infrastructure with funding acquired thru Roads to Recovery, Blackspot, Grain Freight Network (GFN), Regional Road Group (RRG) and Council's own resources.

Councils Resources:

Flockart Road: Verge and tree pruning carried out over 3km section and road pavement was re-shaped.
Old Nukarni Road: 6km gravel re-sheet.
Coulahan Road: Verge clearing and 3km gravel re-sheet.
Barr Road: 2.5km gravel re-sheet.
Coronation Street: Construct and seal 260m footpath.

Total cost of Councils own resources \$247,694

Grain Freight Network:

Construction of Merredin/Naremben Road was postponed to 2012/13.

Total cost GFN \$1,715,537

Regional Road Group:

Merredin/Naremben Road: Reconstructed and sealed 1.3km @ 8m wide
Chandler Road: 2km section of reconstruction and curve realignment. Seal to a width of 7m.
Robartson Road: Construct and seal 2.3km to 7m seal width.

Total cost to RRG & OR 2/3-1/3 funding \$515,172.

Roads to Recovery:

Hunter Street: Reconstruct and seal.
Kitchener Road: Reconstruct and asphalt seal with mountable kerbing.
Totadgin Hall Road: Reseal 1km section and Reconstruct and seal 3.5km section.

Total cost R2R \$399,004



Planning and Development

Planning Service:

The Shire of Merredin's Local Planning Scheme No. 6 was published in the Government Gazette special issue number 104 on 22 June 2011.

Amendment No 1 to the Local Planning Scheme No 6.

In September 2010, Council resolved to adopt Amendment No. 1 which in summary, addresses the rural residential development, airstrip expansion, provision of up to 500 additional residential lots from developments on O'Connor Street and Telfer Road in addition to the 1,000 blocks detailed within the outline development plans (ODPs), and suggests a density ratio of R30 where sewer is provided and a ratio of R50 within the town centre zoning. The amendment also requires that ODPs be prepared prior to any development occurring.

The Amendment is now in it's final stage and should be Gazetted in December 2012.

Amendment No 2 to the Local Planning Scheme No. 6

An application has been received to allow for the construction of a new motel. The development proposed for the land is a new standalone development and not an extension of the existing Olympic Motel. The application has been referred to Council's consultant town planners, Planwest, for consideration and comment. On planning grounds a rezoning could be supported.

At the time of writing this report the Amendment is progressing towards its completion and is expected to be put to the Minister for Planning in the first half of 2013.

Building Service:

The new Building Act came into effect on the 2 April 2012 with a number teething issues. A committee has been working on changes and already there have been a number of amendments to the legislation to make it more workable.

There have been a number of Council Policy updates and amendments as a consequence of the new legislation.

Environmental Health Service:

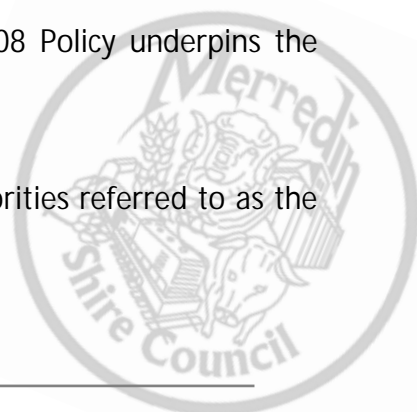
The reestablishment of a Shire of Merredin municipal, landfill and general waste information Collection Calender and Residential Tip Passes for the 2011/2012 and 2012/2013 period has been undertaken.

Council endorsed the implementation in July 2011 of a free (to food business, community groups and individuals) online, nationally accredited, food handlers/food safety training course. There has been a very good response with the course with 25 people receiving their certificates.

The adoption in February 2011 of the Shire of Merredin Food Act 2008 Policy underpins the requirements for safe food preparation and handling to the point of sale.

Ranger Service:

The Ranger Service provides services under MOU to 7 other Local Authorities referred to as the Central Wheatbelt Ranger Scheme which consists of the following Shires:



Shire of Merredin, Shire of South Corrigin, Shire of Bruce Rock, Shire of North Nungarin, Shire of Trayning, Shire of Koorda, Shire of Mukinbudin, Shire of Westonia and most likely from 1 July 2012 the Shire of Mount Marshall

The new Cat Act 2011 is due to be rolled out in two stages: Phase 1 will commence on the 1 November 2012 and Phase 2 will commence on 1 November 2013.

The implementation of the Act will add significant cost to each Councils however this may be offset to a degree with the availability of grants to cover such things as specialized personal protective equipment (PPE) and for a cat holding Facility in Merredin.

The intention of Phase 1 is to allow local governments to prepare to administer and enforce the full Act from 1 November 2013. Until Phase 2 commences, it is not an offence to have an unregistered, unsterilized or un-microchipped cat.

The State Emergency Services - Merredin

The Merredin SES Volunteer Unit received a new Toyota Personal Carrier in mid July 2011.

Volunteer Bushfire Brigades

In preparation for the 2012 -2013 bushfire season, all Volunteer Bushfire Brigade units will be serviced by August 2012 and a preseason Volunteer Bushfire Brigades meeting will be held in mid-October 2012.



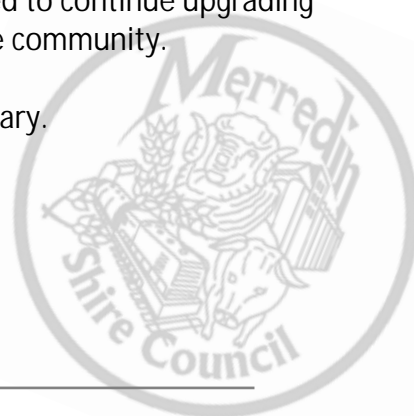
The Hines Hill Brigade's vehicle will be updated with a refurbished Isuzu 4x4 in early September 2012. It is a 2.4 Unit with a 2000 litre water tank and some of the latest gear on board.

The Burracoppin and South Burracoppin Brigades received new Toyota Light Tankers fitted with 600 litre water tanks.

Merredin Swimming Pool:

Approximately \$120,000 has been spent on pool plant and equipment and replacing leaking pipe work which was adding significantly to the cost of operations. It is intended to continue upgrading this facility as funds permit to ensure it continues to meet the needs of the community.

The toddlers and main pool tiling and grouting was also repaired as necessary.



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 \$6 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.



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 2012/13 financial year. Council will be required to make provision in that budget for the review to be undertaken.

Council has adopted a number of policies and reviews existing policies currently on an as required basis.

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 Administration received no such applications in the current reporting period.

State Records Act

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 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.

Further information can be obtained by contacting the Executive Manager of Development Services.

Councillors' Remuneration

In the 2011/12 financial year the following remunerations were made to Councillors:

President (Including a Presidents Allowance):	\$9750.00
Deputy President (Including the D/Presidents Allowance):	\$5250.00
Councillors:	\$4000.00



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

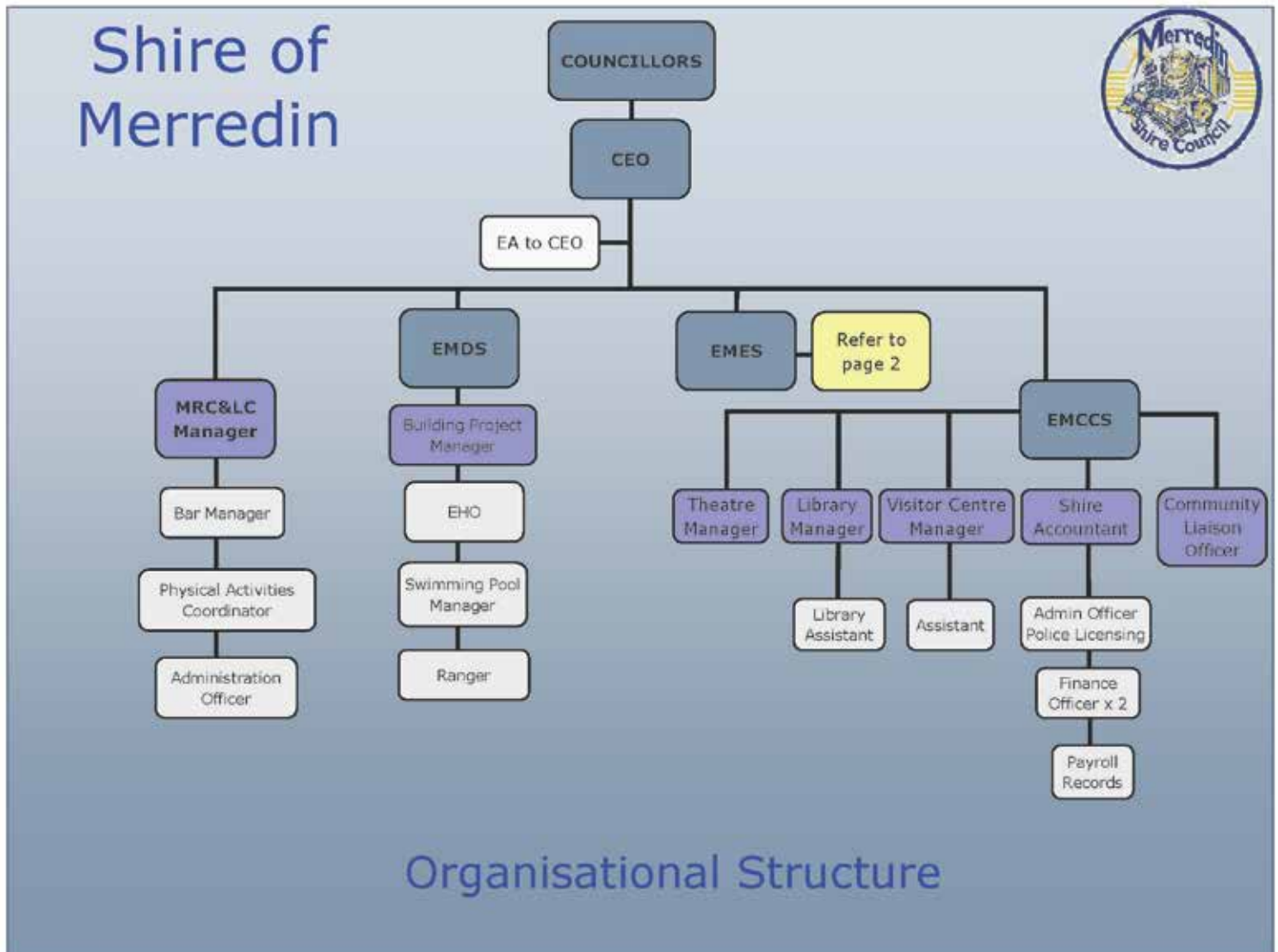


Governance

Councillors

<p>Councillor Donna Crook President Expiry of Term: 19 October 2013</p>		<p>Councillor Martin Morris Deputy President Expiry of Term: 19 October 2013</p>	
<p>Councillor Ken Hooper Expiry of Term: 15 October 2015</p>		<p>Councillor Wayne Wallace Expiry of Term: 19 October 2013</p>	
<p>Councillor Mark Crees Expiry of Term: 15 October 2015</p>		<p>Councillor Tracey McFarlane Expiry of Term: 15 October 2015</p>	<p>Photo not available</p>
<p>Councillor Dionne Hayes-Thompson Expiry of Term: 15 October 2015</p>		<p>Councillor Debbie Morris Expiry of Term: 19 October 2013</p>	
<p>Councillor Bradley Anderson Expiry of Term: 15 October 2015</p>	<p>Photo not available</p>		

Senior Management



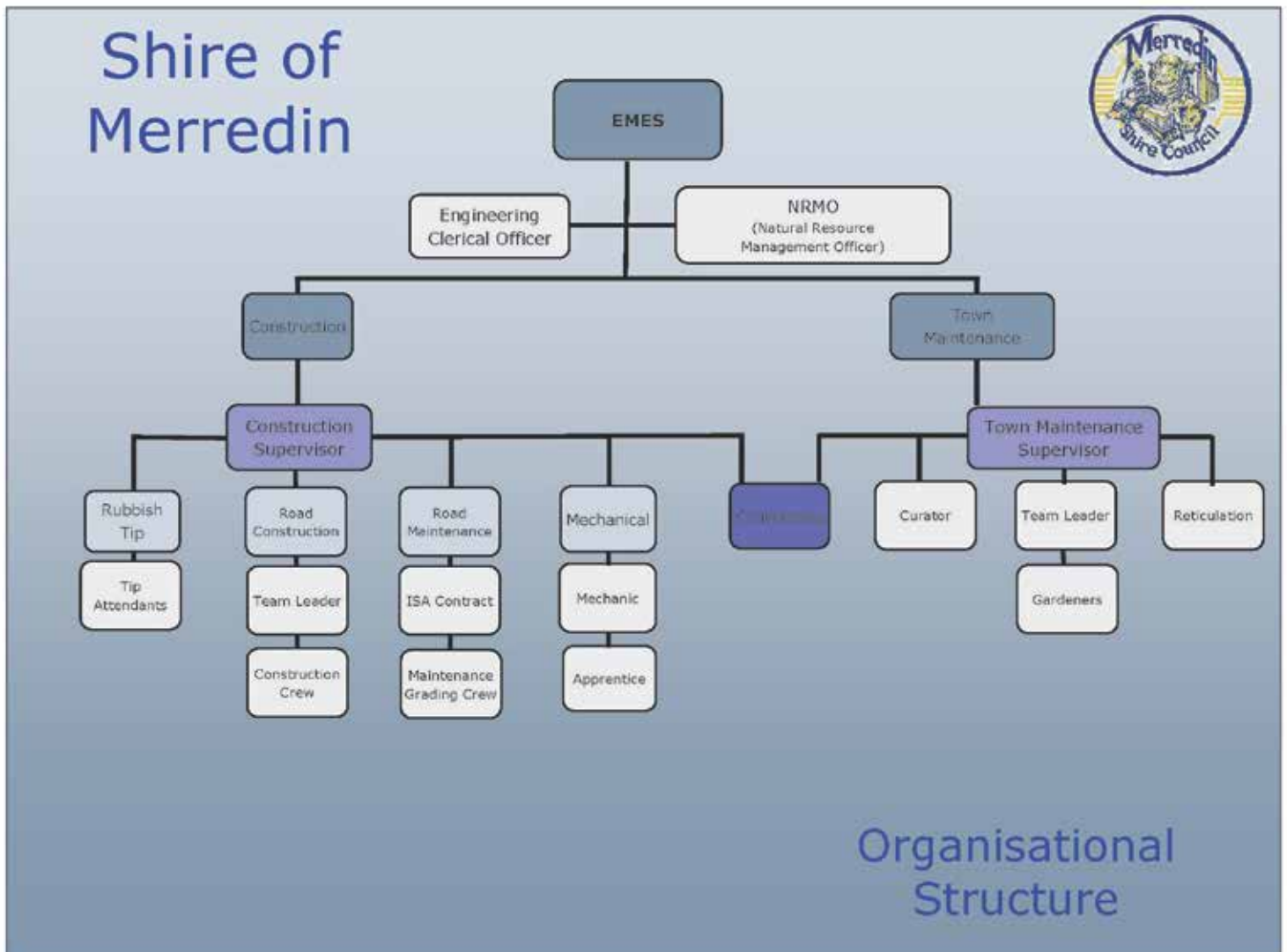
Managers, Supervisors and Specialised Staff

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

Robyn McCarthy
 Ursula Andinach
 Rebecca Hutton
 John Simmonds
 Wendy Porter
 John Gearing
 Troy Davey
 Rodney Robertson
 Sabin Acharya
 George Ward



Continued from previous page



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 2012

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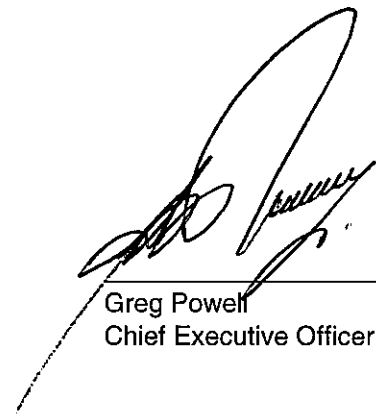
SHIRE OF MERREDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 8th day of October 2012



Greg Powell
Chief Executive Officer

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

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Rates	22	2,728,395	2,708,674	2,547,277
Operating Grants, Subsidies and Contributions	28	2,914,153	1,866,526	2,339,643
Fees and Charges	27	2,700,973	2,197,626	1,850,343
Interest Earnings	2(a)	163,609	100,555	174,675
Other Revenue		<u>147,890</u>	<u>1,573,000</u>	<u>208,241</u>
		8,655,020	8,446,381	7,120,179
Expenses				
Employee Costs		(2,545,694)	(2,763,600)	(3,032,435)
Materials and Contracts		(2,884,865)	(4,171,917)	(2,249,936)
Utility Charges		(396,058)	(476,351)	(351,660)
Depreciation on Non-Current Assets	2(a)	(1,722,081)	(1,534,856)	(1,423,006)
Interest Expenses	2(a)	(73,157)	(73,302)	(79,076)
Insurance Expenses		(262,573)	(279,184)	(220,351)
Other Expenditure		<u>(167,422)</u>	<u>(108,192)</u>	<u>(118,401)</u>
		<u>(8,051,850)</u>	<u>(9,407,402)</u>	<u>(7,474,865)</u>
		603,170	(961,021)	(354,686)
Non-Operating Grants, Subsidies and Subsidies & Contributions	28	3,173,182	4,594,820	1,215,693
Profit on Asset Disposals	20	25,310	709,533	78,582
Loss on Asset Disposal	20	<u>(42,733)</u>	<u>(27,290)</u>	<u>(149,386)</u>
Net Result		3,758,929	4,316,042	790,203
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>3,758,929</u></u>	<u><u>4,316,042</u></u>	<u><u>790,203</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 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Governance		159,259	41,500	90,860
General Purpose Funding		5,378,835	4,251,474	4,620,398
Law, Order, Public Safety		202,529	202,288	187,698
Health		9,421	17,759	8,971
Education and Welfare		0	500	1,000
Housing		64,667	1,599,030	77,512
Community Amenities		505,881	605,360	1,089,563
Recreation and Culture		612,965	574,145	278,521
Transport		240,663	242,132	220,824
Economic Services		213,358	484,041	169,684
Other Property and Services		1,267,443	443,152	375,905
	2(a)	<u>8,655,021</u>	<u>8,461,381</u>	<u>7,120,936</u>
Expenses				
Governance		(541,527)	(600,734)	(749,554)
General Purpose Funding		(75,994)	(69,510)	(126,324)
Law, Order, Public Safety		(398,732)	(312,115)	(286,058)
Health		(195,264)	(211,303)	(226,345)
Education and Welfare		(18,554)	(6,800)	(18,164)
Housing		(155,714)	(1,639,117)	(163,560)
Community Amenities		(857,208)	(967,427)	(729,256)
Recreation and Culture		(2,294,589)	(2,143,148)	(2,132,960)
Transport		(2,057,611)	(2,025,626)	(1,955,691)
Economic Services		(824,990)	(1,120,204)	(668,399)
Other Property and Services		(558,511)	(238,116)	(340,235)
	2(a)	<u>(7,978,694)</u>	<u>(9,334,100)</u>	<u>(7,396,546)</u>
Finance Costs				
Governance		(35,199)	(417)	(45,041)
Health		(3,353)	(6,510)	0
Recreation & Culture		(29,016)	(55,525)	(26,594)
Economic Services		(5,589)	(10,850)	(7,441)
	2(a)	<u>(73,157)</u>	<u>(73,302)</u>	<u>(79,076)</u>
Non-Operating Grants, Subsidies and Contributions				
Governance		0	0	20,000
Law, Order, Public Safety		386,488	0	0
Community Amenities		823,559	810,679	0
Recreation & Culture		1,255,115	1,179,198	485,142
Transport		708,020	2,604,943	710,551
		<u>3,173,182</u>	<u>4,594,820</u>	<u>1,215,693</u>
Profit/(Loss) on Disposal of Assets				
Governance		(14,084)	6,354	(34,657)
Law, Order & Public Safety		(1,835)	8,333	(4,563)
Health		(14,408)	2,718	(6,410)
Community Amenities		5,012	635,187	52,425
Recreation & Culture		(4,681)	0	0
Transport		12,573	29,651	(77,599)
		<u>(17,423)</u>	<u>682,243</u>	<u>(70,804)</u>
Net Result		<u>3,758,929</u>	<u>4,331,042</u>	<u>790,203</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		0	0	0
Total Comprehensive Income		<u><u>3,758,929</u></u>	<u><u>4,331,042</u></u>	<u><u>790,203</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 2012**

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	4,397,711	2,459,629
Trade and Other Receivables	4	722,495	686,423
Inventories	5	111,841	113,611
TOTAL CURRENT ASSETS		<u>5,232,047</u>	<u>3,259,663</u>
NON-CURRENT ASSETS			
Other Receivables	4	55,740	57,945
Inventories	5	1,160,145	587,728
Property, Plant and Equipment	6	15,330,775	14,431,206
Infrastructure	7	40,817,554	40,801,577
TOTAL NON-CURRENT ASSETS		<u>57,364,214</u>	<u>55,878,456</u>
TOTAL ASSETS		<u>62,596,261</u>	<u>59,138,119</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	647,549	937,152
Long Term Borrowings	9	105,977	114,237
Provisions	10	568,080	486,397
TOTAL CURRENT LIABILITIES		<u>1,321,606</u>	<u>1,537,786</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	1,018,282	1,124,259
Provisions	10	50,326	28,956
TOTAL NON-CURRENT LIABILITIES		<u>1,068,608</u>	<u>1,153,215</u>
TOTAL LIABILITIES		<u>2,390,214</u>	<u>2,691,001</u>
NET ASSETS		<u>60,206,047</u>	<u>56,447,118</u>
EQUITY			
Retained Surplus		59,009,130	54,766,590
Reserves - Cash/Investments Backed	11	1,196,917	1,680,528
TOTAL EQUITY		<u>60,206,047</u>	<u>56,447,118</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 2012**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2010		28,144,165	1,702,752	25,809,998	55,656,915
Correction of Errors	12	25,809,998		(25,809,998)	0
Restated Balance		<u>53,954,163</u>	<u>1,702,752</u>	<u>0</u>	<u>55,656,915</u>
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		<u>54,766,590</u>	<u>1,680,528</u>	<u>0</u>	<u>56,447,118</u>
Net Result		3,758,929	0	0	3,758,929
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		483,611	(483,611)	0	0
Balance as at 30 June 2012		<u><u>59,009,130</u></u>	<u><u>1,196,917</u></u>	<u><u>0</u></u>	<u><u>60,206,047</u></u>

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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,647,339	2,708,674	2,580,446
Subsidies and Contributions		2,924,974	1,866,526	2,241,288
Fees and Charges		2,700,973	2,308,469	1,850,343
Interest Earnings		163,609	115,555	174,675
Goods and Services Tax		625,220	350,000	53,412
Other Revenue		147,890	1,573,000	195,334
		<u>9,210,005</u>	<u>8,922,224</u>	<u>7,095,498</u>
Payments				
Employee Costs		(2,442,641)	(2,763,600)	(2,984,240)
Materials and Contracts		(3,232,262)	(4,319,642)	(2,002,723)
Utility Charges		(396,058)	(476,351)	(351,660)
Insurance Expenses		(262,573)	(279,184)	(220,351)
Interest expenses		(73,157)	(73,303)	(85,564)
Goods and Services Tax		(547,899)	(350,000)	(68,099)
Other Expenditure		(167,422)	(108,192)	(87,932)
		<u>(7,122,012)</u>	<u>(8,370,272)</u>	<u>(5,800,569)</u>
Net Cash Provided By (Used In)				
Operating Activities	13(b)	<u>2,087,993</u>	<u>551,952</u>	<u>1,294,929</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(472,534)	(2,237,863)	(50,468)
Payments for Purchase of Property, Plant & Equipment		(2,096,694)	(812,092)	(2,236,431)
Payments for Construction of Infrastructure		(842,809)	(4,094,188)	(1,307,388)
Non-Operating Grants, Subsidies and Contributions Used for the Development of Assets		3,173,182	4,594,820	1,215,693
Proceeds from Sale of Plant & Equipment		201,094	1,002,830	504,124
Proceeds from Sale of land held for Resale		0	0	149,091
		<u>0</u>	<u>0</u>	<u>149,091</u>
Net Cash Provided By (Used In)				
Investing Activities		(37,761)	(1,546,493)	(1,725,379)
Cash Flows from Financing Activities				
Repayment of Debentures		(114,237)	(114,237)	(1,364,247)
Repayment of Finance Leases		0	0	0
Proceeds from Self Supporting Loans		2,087	2,087	1,975
Proceeds from New Debentures		0	0	1,260,425
		<u>0</u>	<u>0</u>	<u>1,260,425</u>
Net Cash Provided By (Used In)				
Financing Activities		(112,150)	(112,150)	(101,847)
Net Increase (Decrease) in Cash Held		1,938,082	(1,106,691)	(532,297)
Cash at Beginning of Year		2,459,629	2,991,926	2,991,926
Cash and Cash Equivalents				
at the End of the Year	13(a)	<u>4,397,711</u>	<u>1,885,235</u>	<u>2,459,629</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 2012

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
Revenue				
Governance		162,557	48,013	110,860
General Purpose Funding		2,650,440	1,542,800	2,073,121
Law, Order, Public Safety		589,017	210,621	187,698
Health		9,421	20,477	8,971
Education and Welfare		0	500	1,000
Housing		64,667	1,599,030	77,512
Community Amenities		1,334,452	1,240,547	1,141,988
Recreation and Culture		1,868,080	574,144	763,663
Transport		948,683	298,914	956,775
Economic Services		213,358	484,041	169,684
Other Property and Services		1,284,442	443,152	375,905
		<u>9,125,117</u>	<u>6,462,239</u>	<u>5,867,177</u>
Expenses				
Governance		(594,108)	(601,310)	(829,252)
General Purpose Funding		(75,994)	(69,510)	(126,324)
Law, Order, Public Safety		(400,567)	(312,115)	(290,621)
Health		(213,025)	(217,813)	(232,755)
Education and Welfare		(18,554)	(6,800)	(18,164)
Housing		(155,714)	(1,639,117)	(163,560)
Community Amenities		(857,207)	(967,427)	(729,256)
Recreation and Culture		(2,328,286)	(2,198,672)	(2,159,554)
Transport		(2,045,038)	(2,052,757)	(2,058,690)
Economic Services		(830,579)	(1,131,054)	(675,840)
Other Property and Services		(575,511)	(238,116)	(340,235)
		<u>(8,094,583)</u>	<u>(9,434,691)</u>	<u>(7,624,251)</u>
Net Result Excluding Rates		1,030,534	(2,972,452)	(1,757,074)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Grants/Contributions Assets Development		0	4,594,820	0
(Profit)/Loss on Asset Disposals	20	17,423	(682,243)	70,804
Movement in Accrued Interest		0	0	(6,488)
Movement in Deferred Pensioner Rates (Non-Current)		0	0	(21,474)
Movement in Employee Benefit Provisions (Non-Current)		21,370	0	36,554
Movement in Accrued Salaries & Wages		0	0	11,756
Depreciation and Amortisation on Assets	2(a)	1,722,081	1,534,856	1,423,006
Capital Expenditure and Revenue				
Purchase of Subdivision Costs		(472,534)	(626,107)	0
Purchase Land and Buildings		(1,139,030)	(1,611,756)	(933,019)
Purchase Infrastructure Assets - Roads		(811,527)	(3,203,509)	(1,235,026)
Purchase Infrastructure Assets - Parks		(14,071)	(890,679)	0
Purchase Infrastructure Assets - Footpath		(17,211)	0	(40,947)
Purchase Infrastructure Assets - Subdivisional Costs		0	0	(50,469)
Purchase Plant and Equipment		(871,142)	(705,942)	(1,240,885)
Purchase Furniture and Equipment		(86,522)	(106,150)	(62,527)
Purchase Drainage		0	0	(31,416)
Proceeds from Disposal of Assets	20	201,094	1,002,830	653,215
Repayment of Debentures	21(a)	(114,237)	(114,237)	(1,364,247)
Proceeds from New Debentures	21	0	0	1,260,425
Self-Supporting Loan Principal Income		2,087	2,087	1,975
Transfers to Reserves (Restricted Assets)	11	(59,065)	(1,493,267)	(1,359,617)
Transfers from Reserves (Restricted Assets)	11	542,676	2,173,065	1,381,841
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	93,349	390,010	1,326,659
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	2,773,670	0	610,323
Amount Required to be Raised from Rates	22(a)	<u>(2,728,395)</u>	<u>(2,708,674)</u>	<u>(2,547,277)</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 2012

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.

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

(f) Inventories

General

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

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

Land Held for Resale

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

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

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

(g) Fixed Assets

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

Initial Recognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Revaluation

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

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

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

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.

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

Buildings	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 seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Formed roads 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.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

Impairment

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

Derecognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

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

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Joint Venture

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

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

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

(p) Rates, Grants, Donations and Other Contributions

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Superannuation

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

(r) Current and Non-Current Classification

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

(s) Rounding Off Figures

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

(t) Comparative Figures

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

(u) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

- AASB 124
- AASB 1054
- AASB 2009 - 12
- AASB 2009 - 14
- AASB 2010 - 4
- AASB 2010 - 5
- AASB 2010 - 6
- AASB 2010 - 9
- AASB 2011 - 1

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

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

2. REVENUE AND EXPENSES	2012	2011
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	18,000	13,500
- Other Services	<u>11,746</u>	<u>5,370</u>
Depreciation		
Buildings	340,030	253,960
Furniture and Equipment	47,304	47,058
Plant and Equipment	507,915	374,744
Roads	710,514	711,192
Footpaths	23,649	18,000
Drainage	19,616	18,052
Parks & Ovals	<u>73,053</u>	<u>18,052</u>
	<u>1,722,081</u>	<u>1,423,006</u>
Interest Expenses (Finance Costs)		
Other	0	871
Debentures (<i>refer Note 21(a)</i>)	<u>73,157</u>	<u>78,205</u>
	<u>73,157</u>	<u>79,076</u>
Rental Charges		
- Operating Leases	<u>33,058</u>	<u>25,598</u>
(ii) Crediting as Revenue:		
	2012	2012
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	28,643	35,000
- Other Funds	88,242	50,555
Other Interest Revenue (<i>refer note 26</i>)	<u>46,724</u>	<u>15,000</u>
	<u>163,609</u>	<u>174,675</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of 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 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Roads to Recovery	Transport	118,951	348,056	(467,007)	0	353,504	(292,530)	60,974
Regional Road Group	Transport	0	362,495	(362,495)	0	354,516	(240,917)	113,599
WA Local Government Grants	Transport	0	208,254	(208,254)	0	839,173	(839,173)	0
WA Local Government Grants	General Purpose	0	285,699	(285,699)	0	1,628,926	(1,628,926)	0
Royalties for Regions	Community Amenities	29,900	126,933	(156,833)	0	0	0	0
Royalties for Regions	Community Amenties	0	20,000	(12,770)	7,230	0	(7,230)	0
Office of Crime Prevention	Parks & Gardens	0	19,442	0	19,442	0	(19,442)	0
Department of Infrastructure	Community Amenities	0	30,000	(11,000)	19,000	0	(19,000)	0
Lottery West	Community Amenities	0	20,000	(14,300)	5,700	0	(5,700)	0
Turf Alliance	Recreation and Culture	0	1,818	0	1,818	19,097	0	20,915
Department of Local Government	Asset Management	0	0	0	0	70,000	(2,700)	67,300

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Open Gardens Australia	Revegetate Roy Little Park	0	0	0	0	1,966	0	1,966
Department of Sport and Recreation	Kids Sport Grant	0	0	0	0	64,000	(20,000)	44,000
Department of Agriculture	Dry Seasons Assistance	0	0	0	0	24,600	(17,858)	6,742
CLGF - Individual Allocation 10/11	Synthetic Sporting Surface	0	0	0	0	609,220	(96,759)	512,461
CLGF - Individual Allocation 11/12	Synthetic Sporting Surface	0	0	0	0	535,536	0	535,536
Total		<u>148,851</u>	<u>1,422,697</u>	<u>(1,518,358)</u>	<u>53,190</u>	<u>4,500,538</u>	<u>(3,190,235)</u>	<u>1,363,493</u>

Notes:

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

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

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

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

	2012	2011
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	5,190	3,450
Cash at Bank - Municipal	3,195,604	775,651
Cash at Bank Reserves - Restricted	1,196,917	1,680,528
	<u>4,397,711</u>	<u>2,459,629</u>
The following is a reconciliation of the municipal funds above:		
Unrestricted	1,832,111	722,471
Restricted	1,363,493	53,180
	<u>3,195,604</u>	<u>775,651</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Employee Entitlement Reserve	244,373	257,676
Plant Reserve	258,908	250,000
Heritage Reserve	6,525	6,300
Building Reserve	262,871	303,802
Land & Development Reserve	70,752	513,637
Disaster Relief Reserve	6,944	6,707
Recreation Facilities Reserve	195,432	188,990
Road Reinstatement Reserve	22,702	21,921
Cummings Street Units Reserve	35,237	34,024
Waste Management Reserve	37,969	36,663
FESA Levy Reserve	0	7,505
Environmental Initiatives Reserve	55,204	53,303
	<u>1,196,917</u>	<u>1,680,528</u>
Other:		
Municipal Cash at Bank - Restricted :		
Unspent Grants (Refer to Note 2 (c))	1,363,493	53,190
	<u>1,363,493</u>	<u>53,190</u>

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

	2012	2011
	\$	\$
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	274,626	193,570
Sundry Trade Debtors	439,177	459,998
Less: Provision for Doubtful Debts	(20,000)	(30,000)
Prepayments	26,486	0
GST Receivable	0	60,767
Loans - Clubs/Institutions	2,206	2,088
	<u>722,495</u>	<u>686,423</u>
Non-Current		
Rates Outstanding - Pensioners	49,657	49,657
Loans - Clubs/Institutions	6,083	8,288
	<u>55,740</u>	<u>57,945</u>
5. INVENTORIES		
Current		
Fuel and Materials	68,216	55,445
Land Held for Resale - Cost	43,625	58,166
	<u>111,841</u>	<u>113,611</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	687,611	188,758
Development Costs	472,534	398,970
	<u>1,160,145</u>	<u>587,728</u>
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	14,702,091	13,636,606
Less Accumulated Depreciation	<u>(2,641,938)</u>	<u>(2,292,638)</u>
	12,060,153	11,343,968
Furniture and Equipment - Cost	818,115	912,670
Less Accumulated Depreciation	<u>(500,415)</u>	<u>(626,078)</u>
	317,700	286,592
Plant and Equipment - Cost	5,093,024	4,588,671
Less Accumulated Depreciation	<u>(2,140,102)</u>	<u>(1,788,025)</u>
	2,952,922	2,800,646
	<u>15,330,775</u>	<u>14,431,206</u>

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	11,343,968	286,592	2,800,646	14,431,206
Additions	1,139,030	86,522	871,142	2,096,694
(Disposals)	0	(12,478)	(204,055)	(216,533)
Reclassification	(85,343)	0	0	(85,343)
Depreciation (Expense)	(340,030)	(47,304)	(507,915)	(895,249)
Adjustment	2,528	4,368	(6,896)	0
Carrying amount at the end of year	<u>12,060,153</u>	<u>317,700</u>	<u>2,952,922</u>	<u>15,330,775</u>

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

	2012	2011
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	71,349,050	70,537,523
Less Accumulated Depreciation	<u>(32,252,633)</u>	<u>(31,542,119)</u>
	39,096,417	38,995,404
Footpaths - Cost	1,041,515	1,024,304
Less Accumulated Depreciation	<u>(436,427)</u>	<u>(412,778)</u>
	605,088	611,526
Drainage - Cost	922,638	922,638
Less Accumulated Depreciation	<u>(432,856)</u>	<u>(413,240)</u>
	489,782	509,398
Parks & Ovals - Cost	710,536	696,465
Less Accumulated Depreciation	<u>(84,269)</u>	<u>(11,216)</u>
	626,267	685,249
	<u>40,817,554</u>	<u>40,801,577</u>

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

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Total \$
Balance at the beginning of the year	38,995,404	611,526	509,398	685,249	40,801,577
Additions	811,527	17,211	0	14,071	842,809
(Disposals)	0	0	0	0	0
Depreciation (Expense)	(710,514)	(23,649)	(19,616)	(73,053)	(826,832)
Carrying amount at the end of year	<u>39,096,417</u>	<u>605,088</u>	<u>489,782</u>	<u>626,267</u>	<u>40,817,554</u>

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

	2012	2011
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	592,523	910,647
GST Payable	18,536	0
Accrued Expenses	3,357	0
Accrued Interest on Debentures	3,713	4,646
Accrued Salaries and Wages	29,420	21,859
	<u>647,549</u>	<u>937,152</u>

9. LONG-TERM BORROWINGS

Current

Secured by Floating Charge
 Debentures

	105,977	114,237
	<u>105,977</u>	<u>114,237</u>

Non-Current

Secured by Floating Charge
 Debentures

	1,018,282	1,124,259
	<u>1,018,282</u>	<u>1,124,259</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Current

Provision for Annual Leave
 Provision for RDO
 Provision for Long Service Leave

	255,612	238,864
	18,719	13,879
	293,749	233,654
	<u>568,080</u>	<u>486,397</u>

Non-Current

Provision for Long Service Leave

	50,326	28,956
	<u>50,326</u>	<u>28,956</u>

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

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED			
(a) Employee Entitlement Reserve			
Opening Balance	257,676	202,722	103,792
Amount Set Aside / Transfer to Reserve	8,749	6,500	153,884
Amount Used / Transfer from Reserve	<u>(22,052)</u>	<u>(5,000)</u>	<u>0</u>
	<u>244,373</u>	<u>204,222</u>	<u>257,676</u>
(b) Plant Replacement Reserve			
Opening Balance	250,000	262,476	233,238
Amount Set Aside / Transfer to Reserve	8,908	520,000	808,262
Amount Used / Transfer from Reserve	<u>0</u>	<u>(531,000)</u>	<u>(791,500)</u>
	<u>258,908</u>	<u>251,476</u>	<u>250,000</u>
(c) Heritage Reserve			
Opening Balance	6,300	6,300	6,060
Amount Set Aside / Transfer to Reserve	225	300	240
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>6,525</u>	<u>6,600</u>	<u>6,300</u>
(d) Annual Leave Reserve			
Opening Balance	0	0	69,081
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(69,081)</u>
	<u>0</u>	<u>0</u>	<u>0</u>
(e) Building Reserve			
Opening Balance	303,802	351,987	239,838
Amount Set Aside / Transfer to Reserve	10,825	20,000	63,964
Amount Used / Transfer from Reserve	<u>(51,756)</u>	<u>(43,000)</u>	<u>0</u>
	<u>262,871</u>	<u>328,987</u>	<u>303,802</u>
(f) Land & Development Reserve			
Opening Balance	513,637	477,446	542,609
Amount Set Aside / Transfer to Reserve	18,293	627,834	21,497
Amount Used / Transfer from Reserve	<u>(461,178)</u>	<u>(879,107)</u>	<u>(50,469)</u>
	<u>70,752</u>	<u>226,173</u>	<u>513,637</u>
(g) Doctors Housing Reserve			
Opening Balance	0	0	10,713
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(10,713)</u>
	<u>0</u>	<u>0</u>	<u>0</u>

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

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED (continued)			
(h) Recreation Facilities Reserve			
Opening Balance	188,990	151,150	0
Amount Set Aside / Transfer to Reserve	6,442	111,233	188,990
Amount Used / Transfer from Reserve	0	0	0
	<u>195,432</u>	<u>262,383</u>	<u>188,990</u>
(i) Disaster Relief Reserve			
Opening Balance	6,707	6,706	6,450
Amount Set Aside / Transfer to Reserve	237	300	257
Amount Used / Transfer from Reserve	0	0	0
	<u>6,944</u>	<u>7,006</u>	<u>6,707</u>
(j) Road Reinstatement Reserve			
Opening Balance	21,921	3,921	21,086
Amount Set Aside / Transfer to Reserve	781	10,750	835
Amount Used / Transfer from Reserve	0	(10,000)	0
	<u>22,702</u>	<u>4,671</u>	<u>21,921</u>
(k) Unspent Grants Reserve			
Opening Balance	0	581,458	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	(581,458)	0
	<u>0</u>	<u>0</u>	<u>0</u>
(l) Cummings Street Units Reserve			
Opening Balance	34,024	45,241	43,517
Amount Set Aside / Transfer to Reserve	1,213	11,500	10,924
Amount Used / Transfer from Reserve	0	(18,500)	(20,417)
	<u>35,237</u>	<u>38,241</u>	<u>34,024</u>
(m) General Building Maintenance Reserve			
Opening Balance	0	0	20,969
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(20,969)
	<u>0</u>	<u>0</u>	<u>0</u>
(n) Waste Management Reserve			
Opening Balance	36,663	21,663	213,216
Amount Set Aside / Transfer to Reserve	1,306	183,000	108,447
Amount Used / Transfer from Reserve	0	(100,000)	(285,000)
	<u>37,969</u>	<u>104,663</u>	<u>36,663</u>

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

11. RESERVES - CASH BACKED (continued)	2012 \$	2012 Budget \$	2011 \$
(o) FESA Levy Reserve			
Opening Balance	7,505	0	7,219
Amount Set Aside / Transfer to Reserve	185	0	286
Amount Used / Transfer from Reserve	<u>(7,690)</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>7,505</u>
(p) Environmental Initiatives Reserve			
Opening Balance	53,303	50,303	51,272
Amount Set Aside / Transfer to Reserve	1,901	1,850	2,031
Amount Used / Transfer from Reserve	<u>0</u>	<u>(5,000)</u>	<u>0</u>
	<u>55,204</u>	<u>47,153</u>	<u>53,303</u>
(q) MRC&LC Reserve			
Opening Balance	0	105,032	105,032
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>(105,032)</u>	<u>(105,032)</u>
	<u>0</u>	<u>0</u>	<u>0</u>
(r) Merredin District Olympic Pool Reserve			
Opening Balance	0	28,660	28,660
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>(28,660)</u>	<u>(28,660)</u>
	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CASH BACK RESERVES	<u><u>1,196,917</u></u>	<u><u>1,481,575</u></u>	<u><u>1,680,528</u></u>

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

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

Employee Entitlement Reserve

- to be utilised to fund staff 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.

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.

Doctors Housing Reserve

- to be utilised to fund future housing requirements in respect of medical staff.

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 2012

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 Council owned units in Cummings Street, Merredin.

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.

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

12. RESERVES - ASSET REVALUATION

	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:	
Roads	25,809,998
TOTAL ASSET REVALUATION RESERVES	<u>25,809,998</u>

In 2011 (and previous years), this balance was disclosed as part of the Asset Revaluation Reserve balance despite Council resolving to revert to deemed cost in accordance with the transition to IFRS effective from 1 July 2004. At the time of reverting to deemed cost the Asset Revaluation Reserve should have been transferred to Retained Surplus. This prior period adjustment is necessary to reflect this correction.

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>4,397,711</u>	<u>1,885,235</u>	<u>2,459,629</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	3,758,929	4,331,042	790,203
Depreciation	1,722,081	1,534,856	1,423,006
(Profit)/Loss on Sale of Asset	17,423	(682,243)	70,804
(Increase)/Decrease in Receivables	(35,955)	114,258	(92,780)
(Increase)/Decrease in Inventories	(12,771)	(3,416)	(8,042)
Increase/(Decrease) in Payables	(291,585)	(147,725)	290,995
Increase/(Decrease) in Employee Provisions	103,053	0	36,436
Grants/Contributions for the Development of Assets	<u>(3,173,182)</u>	<u>(4,594,820)</u>	<u>(1,215,693)</u>
Net Cash from Operating Activities	<u>2,087,993</u>	<u>551,952</u>	<u>1,294,929</u>

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

13. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2012 \$	2012 Budget \$	2011 \$
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank Overdraft limit	143,000	140,000	140,000
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	5,000	3,000	3,000
Credit Card Balance at Balance Date	2,024	0	0
Total Amount of Credit Unused	<u>150,024</u>	<u>143,000</u>	<u>143,000</u>
Loan Facilities			
Loan Facilities - Current	105,977		114,237
Loan Facilities - Non-Current	1,018,282		1,124,259
Total Facilities in Use at Balance Date	<u>1,124,259</u>		<u>1,238,496</u>
Unused Loan Facilities at Balance Date	<u>0</u>		<u>0</u>

14. CONTINGENT LIABILITIES

The Shire of Merredin has no Contingent Liabilities as at 30 June 2012.

15. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

	2012 \$	2011 \$
- not later than one year	30,003	13,538
- later than one year but not later than five years	35,763	23,148
	<u>65,766</u>	<u>36,686</u>

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

15. CAPITAL AND LEASING COMMITMENTS (Continued)

	2012	2011
	\$	\$
(b) Capital Expenditure Commitments		

There are no capital expenditure projects outstanding at the end of the current reporting period.

16. JOINT VENTURE

The Shire of Merredin has no joint ventures at 30 June 2012.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	1,533,617	1,364,021
Law, Order, Public Safety	512,053	94,880
Health	898,419	865,197
Education and Welfare	184,591	184,591
Housing	287,553	287,553
Community Amenities	2,428,402	1,003,402
Recreation and Culture	7,974,662	7,664,462
Transport	43,462,099	42,439,154
Economic Services	269,620	235,719
Other Property and Services	1,697,696	1,697,696
Unallocated	3,347,549	3,301,444
	<u>62,596,261</u>	<u>59,138,119</u>

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

18. FINANCIAL RATIOS	2012	2011	2010
Current Ratio	2.440	1.147	1.812
Untied Cash to Unpaid Trade Creditors Ratio	3.115	0.797	1.825
Debt Ratio	0.038	0.046	0.042
Debt Service Ratio	0.022	0.183	0.042
Gross Debt to Revenue Ratio	0.130	0.172	0.220
Gross Debt to Economically Realisable Assets Ratio	0.052	0.068	0.075
Rate Coverage Ratio	0.230	0.304	0.279
Outstanding Rates Ratio	0.094	0.069	0.094

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 2012

19. TRUST FUNDS

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

	Balance 1-Jul-11	Amounts Received	Amounts Paid	Balance 30-Jun-12
	\$	\$	(\$)	\$
Community Bus Fund	1,312	0	0	1,312
Housing Bonds	9,184	940	(684)	9,440
Recreation Hall Bonds	500	0	(500)	0
Possum Trap Bonds	413	0	(413)	0
Unclaimed Monies	300	89	0	389
Hall/Gym Bonds	2,705	3,000	(2,500)	3,205
SBS Transmitter	2,220	0	0	2,220
BCITF Levy	3,470	4,187	(7,393)	264
Overpayment of Rates	4,405	0	(600)	3,805
LCDC Tree Planter Fund	1,271	0	0	1,271
Poetry Book Fund	730	0	(730)	0
Other Bonds	10,120	0	(3,267)	6,853
Building Reg. Board Levy	1,327	2,002	(3,008)	321
Councillor Nomination Fee	480	800	(1,280)	0
Youth Advisory Council	154	0	0	154
Solar Power Bonds	4,500	0	(4,500)	0
Pioneer Park Contribution	750	0	(750)	0
Australian Open Garden Scheme	15	0	(15)	0
Turf Alliance Fund	16,287	2,656	(18,943)	0
Skeleton Weed	2,429	90	0	2,519
Agracorp Merredin Sports Council	1,092	0	(1,092)	0
Public Open Space	1,500	0	(1,500)	0
Retention Money	0	33,006	(12,543)	20,463
	65,164	46,770	(59,718)	52,216

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

20. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance						
CEO - Statemen	39,693	39,987	42,545	46,500	2,852	6,513
CEO Caprice	41,827	0	42,273	0	446	0
Office Sedan	23,829	22,159	15,503	22,000	(8,326)	(159)
Xerox Printer	1,307	0	0	0	(1,307)	0
Server	7,749	0	0	0	(7,749)	0
Obselete Items Written Off	(1,984)	0	0	0	0	0
Law, Order & Public Safety						
Utility Ranger	21,835	19,997	20,000	28,330	(1,835)	8,333
Health						
EMDS Sedan	26,848	25,282	20,000	28,000	(6,848)	2,718
Doctors Vehicle	7,561	0	1	0	(7,560)	0
Community Amenities						
Carrington Way 1 Lot	0	0	0	46,000	0	46,000
Whitefield Way 8 Lots	0	58,166	0	640,000	0	581,834
NRMO Vehicle	13,033	12,647	18,045	20,000	5,012	7,353
Recreation & Culture						
Café Machine	2,183	0	727	0	(1,456)	0
Library Server	3,225	0	0	0	(3,225)	0
Transport						
Mitsubishi 7 tonne Truck - Maintenance	0	19,684	0	70,000	0	50,316
Pacific Rubber Road Roller	0	0	17,000	5,000	17,000	5,000
New Holland TS100 Tractor	0	60,922	0	45,000	0	(15,922)
Woodchipper	0	10,349	0	7,000	0	(3,349)
Utility - Contruction Supervisor	0	24,860	0	17,000	0	(7,860)
EMES Vehicle	29,427	26,534	25,000	28,000	(4,427)	1,466
	216,533	320,587	201,094	1,002,830	(17,423)	682,243

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans	Principal Repayments		Principal Outstanding		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
Professional Housing	14,412		14,412	14,412	0	0	417	417
Amalgamation on Loans	1,213,708		97,738	97,738	1,115,970	1,115,970	72,041	72,330
Recreation & Culture								
Burracoppin Sporting Club (*)	10,376		2,087	2,087	8,289	8,289	699	555
	1,238,496	0	114,237	114,237	1,124,259	1,124,259	73,157	73,302

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

(b) New Debentures - 2011/12

There were no new debentures entered into by the Shire of Merredin in the 2011/12 financial year.

(c) Unspent Debentures

Council held no unspent debentures as at 30 June 2012.

(d) Overdraft

Council established an overdraft facility of \$143,000 in 2008 to assist with short term liquidity requirements. This consists of \$140,000 on the Muncipal Account and \$3,000 on the Police Licensing Account. The balance of the bank overdraft at 1 July 2011 and 30 June 2012 was \$Nil. However, the overdraft facility was utilised on the Muncipal Account from the 18th to the 23rd of April 2012.

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

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
GRV	0.090282	1,234	15,537,915	1,402,794			1,402,794	1,402,172			1,402,172
UV	0.011458	557	100,263,222	1,148,816			1,148,816	1,137,502			1,137,502
Sub-Totals		1,791	115,801,137	2,551,610	0	0	2,551,610	2,539,674	0	0	2,539,674
Minimum Rates	Minimum \$										
GRV	500	153	967,639	76,500			76,500	86,000			86,000
UV	500	151	2,414,888	75,500			75,500	68,000			68,000
Sub-Totals		304	3,382,527	152,000	0	0	152,000	154,000	0	0	154,000
Ex-Gratia Rates							2,703,610				2,693,674
Specified Area Rate (refer note 23)							26,494				25,000
							0				0
							2,730,104				2,718,674
Rates Written Off							(1,709)				(10,000)
Totals							2,728,395				2,708,674

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

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(b) Information on Surplus/(Deficit) Brought Forward	2012 (30 June 2012 Carried Forward) \$	2012 (1 July 2011 Brought Forward) \$	2011 (30 June 2011 Carried Forward) \$
Surplus/(Deficit) 1 July 2011 Brought Forward	<u>2,773,670</u>	<u>93,349</u>	<u>610,323</u>
<u>Comprises:</u>			
Cash - Unrestricted	3,200,794	779,101	779,101
Cash - Restricted	1,196,917	1,680,528	1,680,528
Rates - Current	274,626	193,570	193,570
Sundry Debtors	445,663	429,998	429,998
GST Receivable	0	60,767	60,767
Inventories	68,216	55,446	55,445
Loans	2,206	2,088	2,089
	<u>5,188,422</u>	<u>3,201,498</u>	<u>3,201,498</u>
Less:			
Employee Entitlement Reserve	(244,373)	(257,676)	(257,676)
Plant Reserve	(258,908)	(250,000)	(250,000)
Heritage Reserve	(6,525)	(6,300)	(6,300)
Building Reserve	(262,871)	(303,802)	(303,802)
Land & Development Reserve	(70,752)	(513,637)	(513,637)
Disaster Relief Reserve	(6,944)	(6,707)	(6,707)
Recreation Facilities Reserve	(195,432)	(188,990)	(188,990)
Road Reinstatement Reserve	(22,702)	(21,921)	(21,921)
Cummings Street Units Reserve	(35,237)	(34,024)	(34,024)
Waste Management Reserve	(37,969)	(36,663)	(36,663)
FESA Levy Reserve	0	(7,505)	(7,505)
Enviromental Initiatives Reserve	(55,204)	(53,303)	(53,303)
	<u>(1,196,917)</u>	<u>(1,680,528)</u>	<u>(1,680,528)</u>
Sundry Creditors	(589,889)	(910,647)	(910,647)
GST Payable	(18,536)	0	0
PAYG Payable	(2,634)	0	0
Accrued Expenses	(3,357)	0	0
Accrued Interest on Debentures	(3,713)	(4,646)	0 *
Accrued Salaries and Wages	(29,420)	(21,859)	0 *
Current Loan Liability	(105,977)	(114,237)	0 *
Current Employee Provisions	(568,080)	(486,397)	0 *
	<u>(1,321,606)</u>	<u>(1,537,786)</u>	<u>(910,647)</u>
Add Back: Current Loan Liability	105,977	114,237	0 *
Less: Current Portion of Self Supporting Loan	(2,206)	(2,088)	0 *
Prior Year Correction	0	(1,984)	0 *
Surplus/(Deficit)	<u>2,773,670</u>	<u>93,349</u>	<u>610,323</u>

Difference:

There is a \$516,974 difference between the Surplus/(Deficit) 1 July 2011 Brought Forward position used in the 2012 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2011 audited financial report.

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

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

23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

The Shire of Merredin did not levy Specified Area Rates in the 2011/2012 financial year.

24. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

No Service charges were applicable within the Shire of Merredin.

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

Photocopy charges are waived for certain community groups such as the Volunteer Bush Fire Brigades. 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 2011/12 financial year.

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

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		37,035	15,000
Interest on Instalments Plan	5.50%		9,689	0
Charges on Instalment Plan		40	11,995	15,000
			58,719	30,000

Ratepayers had the option of paying rates in four equal instalments, due on 6th September 2011, 8th November 2011, 10th January 2012 and 12th March 2012. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2012 \$	2011 \$
Governance	30,558	11,214
General Purpose Funding	11,995	10,000
Law, Order, Public Safety	176,241	164,081
Health	9,421	5,404
Education and Welfare	0	1,000
Housing	61,122	20,969
Community Amenities	500,924	708,632
Recreation and Culture	497,864	471,426
Economic Services	161,239	141,749
Other Property and Services	1,251,609	315,868
	2,700,973	1,850,343

Since the original budget fees and charges were reviewed for the entrance fees to the swimming pool.

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

28. GRANT REVENUE

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

	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	2,914,153	2,339,643
Non-Operating Grants, Subsidies and Contributions	<u>3,173,182</u>	<u>1,215,693</u>
	<u><u>6,087,335</u></u>	<u><u>3,555,336</u></u>
By Program:		
Governance	120,000	75,189
General Purpose Funding	2,468,099	1,874,148
Law, Order, Public Safety	412,775	23,617
Health	0	3,567
Housing	0	25,868
Community Amenities	893,175	2,609
Recreation and Culture	1,296,881	668,954
Transport	852,386	846,267
Economic Services	44,019	27,936
Other Property and Services	<u>0</u>	<u>7,181</u>
	<u><u>6,087,335</u></u>	<u><u>3,555,336</u></u>

29. ELECTED MEMBERS REMUNERATION

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	36,519	36,000	36,000
President's Allowance	6,886	11,500	11,500
Deputy President's Allowance	1,250	2,500	2,500
Councillor Corporate Wardrobe	1,247	4,000	413
Telecommunications Allowance	<u>0</u>	<u>0</u>	<u>685</u>
	<u><u>45,902</u></u>	<u><u>54,000</u></u>	<u><u>51,098</u></u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2012	2011
	<u><u>53</u></u>	<u><u>58</u></u>

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

31. MAJOR LAND TRANSACTIONS

Whitfield Way Subdivision

(a) Details

This land was acquired during 2011/12 for residential sub-division. Additional costs are to be incurred by Council in developing the 20 residential lots. This is to include the provision of services such as sewerage, power and transport infrastructure.

(b) Current year transactions	2012 \$	2012 Budget \$	2011 \$
Operating Revenue			
- Profit on sale	0	581,834	0
Capital Revenue			
- Sale Proceeds	0	640,000	0
Capital Expenditure			
- Purchase of Land	0	58,166	0
- Development Costs	472,534	688,529	50,469
	472,534	746,695	50,469

The above capital expenditure is included in land held for resale as disclosed elsewhere in this financial report. There are no liabilities in relation to this land transaction as at 30 June 2012.

(c) Expected Future Cash Flows

	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
						0
Cash Inflows						
- Loan Proceeds	0	0	0	0	0	0
- Sale Proceeds	480,000	160,000	160,000	0	0	800,000
						800,000
Net Cash Flows						800,000

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is intended to construct and sell six town houses on lots 11 and 12 South Avenue, Merredin at an estimated cost of \$1,500,000.00. Provision for the Business Plan will be prepared as required by Section 3.59 of the Local Government Act 1995.

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012 \$	2011 \$	2012 \$	2011 \$
Financial Assets				
Cash and cash equivalents	4,397,711	2,459,629	4,397,711	2,459,629
Receivables	778,235	744,368	778,235	744,368
	<u>5,175,946</u>	<u>3,203,997</u>	<u>5,175,946</u>	<u>3,203,997</u>
Financial Liabilities				
Payables	647,549	937,152	647,549	937,152
Borrowings	1,124,259	1,238,496	1,113,938	1,215,173
	<u>1,771,808</u>	<u>2,175,648</u>	<u>1,761,487</u>	<u>2,152,325</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 2012

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

Impact of a 1% (*) movement in interest rates on cash and investments:

- Equity	43,977	24,596
- Statement of Comprehensive Income	43,977	24,596

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 2012**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2012	2011
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	91.06%	61.70%
- Overdue	8.94%	38.30%

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

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:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2012</u>					
Payables	647,549	0	0	647,549	647,549
Borrowings	173,445	689,800	597,772	1,461,017	1,124,259
	<u>820,994</u>	<u>689,800</u>	<u>597,772</u>	<u>2,108,566</u>	<u>1,771,808</u>
<u>2011</u>					
Payables	937,152	0	0	937,152	937,152
Borrowings	188,273	692,453	768,564	1,649,290	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>

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

33. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2012</u>								
Payables								
Borrowings								
Fixed Rate								
Debentures	0	0	0	8,289	0	1,115,970	1,124,259	6.07%
Weighted Average Effective Interest Rate				5.62%		6.08%		
<u>Year Ended 30 June 2011</u>								
Payables								
Borrowings								
Fixed Rate								
Debentures	14,412	0	0	0	10,376	1,213,708	1,238,496	6.07%
Weighted Average Effective Interest Rate	5.78%				5.62%	6.08%		

**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 2012, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion, the financial report of the Shire of 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 2012 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No 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: 8 October 2012
Perth, WA


GREG GODWIN
PARTNER