

**SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

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

Impairment

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

(j) Estimation of Fair Value

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

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

**SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

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

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

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

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

(l) Trade and Other Payables

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

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing Costs

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

**SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(q) Joint Venture

The municipality'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 relevant items reported in the statement of financial position and statement of comprehensive income. Information about the joint venture is set out in Note 16.

(r) Rates, Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, 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.

(s) Superannuation

The Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) 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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES	2010	2009
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	8,755	12,597
- Other Services	950	9,269
Depreciation		
Land & Buildings	156,961	142,628
Furniture and Equipment	32,953	29,458
Plant and Equipment	469,357	431,432
Roads	584,701	624,234
Other Infrastructure	3,563	0
NWHS Joint Venture	0	2,416
	<u>1,247,535</u>	<u>1,230,168</u>
Interest Expenses (Finance Costs)		
Other	2,556	299
Debentures (<i>refer Note 21(a)</i>)	39,265	41,962
	<u>41,821</u>	<u>42,261</u>
(ii) Crediting as Revenue:		
	2010	2010
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	89,316	51,019
- Other Funds	39,955	15,300
Other Interest Revenue (<i>refer note 26</i>)	9,162	3,000
	<u>138,433</u>	<u>69,319</u>
	<u>138,433</u>	<u>107,313</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Administration and operation facilities and services to the members of the Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters that do not concern other specific functions/activities of the Shire are also recorded here.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

Food quality, pest control and immunisation services.

EDUCATION AND WELFARE

Telecentre Access Point Service.

HOUSING

Provision and maintenance of staff, rental and Joint Venture Housing.

COMMUNITY AMENITIES

Rubbish collection services, operation of tips, noise control, litter control, administration of the town planning scheme, strategic planning, maintenance of the cemetery, public conveniences and town storm water drainage.

RECREATION AND CULTURE

Maintenance of halls, recreation centres and various reserves, operation of libraries, maintenance of cultural heritage assets and TV/radio retransmission services.

TRANSPORT

Construction and maintenance of streets, roads, footpaths, drainage works, lighting of streets, maintenance of the depot and airstrips.

ECONOMIC SERVICES

Regulation and provision of tourism, area promotion, building control, noxious weeds and vermin control.

OTHER PROPERTY & SERVICES

Private works operations, plant repairs and operation costs.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received (+)	Expended (#)	Closing	Received (+)	Expended (#)	Closing
Grant/Contribution	Function/ Activity	Balance (*) 1-Jul-08	2008/09	2008/09	Balance (*) 30-Jun-09	2009/10	2009/10	Balance 30-Jun-10
		\$	\$	\$	\$	\$	\$	\$
Roads to Recovery	Transport	126,410	0	(126,410)	0			0
CLGF	Various	0	380,331	0	380,331	380,331	(283,519)	477,143
RLCIP	Various	0	60,000	0	60,000		(60,000)	0
RLCIP	Rec & Culture	0	0	0	0	30,000	0	30,000
CLGF	GPF	0	0	0	0	35,000	0	35,000
Crime Prevention Grant	Law Order	0	0	0	0	20,000	0	20,000
Black Spot Funding	Transport	0	0	0	0	13,875	0	13,875
National Rural & Remote Health	Health	0	0	0	0	376,125	(22,304)	353,821
Total		126,410	440,331	(126,410)	440,331	855,331	(365,823)	929,839

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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	442,358	535,353
Restricted	2,719,643	2,486,754
	<u>3,162,001</u>	<u>3,022,107</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	80,852	77,503
Plant Reserve	183,273	367,473
Yalgoo Ninghan Road Reserve	198,008	285,701
Building Reserve	754,338	766,165
Housing Maintenance Reserve	30,939	29,657
General Road Reserve	68,043	65,224
Sports Complex Reserve	100,790	96,615
Community Amenities Maintenance Reserve	106,983	102,550
HCP Reserve	2,804	2,688
Yalgoo Morawa Road Reserve	55,011	52,732
Superannuation Back-Pay Reserve	208,763	200,115
Unspent Grants	929,839	440,331
	<u>2,719,643</u>	<u>2,486,754</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	28,327	71,343
Sundry Debtors	288,619	92,070
Provision for Doubtful Debts	(11,794)	(29,412)
GST Receivable	27,266	0
Prepayments	19,373	19,373
	<u>351,791</u>	<u>153,374</u>
5. INVENTORIES		
Current		
Fuel and Materials	0	5,495
	<u>0</u>	<u>5,495</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	5,620,497	5,251,167
Less Accumulated Depreciation	<u>(1,114,775)</u>	<u>(957,814)</u>
	4,505,722	4,293,353
Furniture and Equipment - Cost	410,066	359,765
Less Accumulated Depreciation	<u>(317,571)</u>	<u>(284,618)</u>
	92,495	75,147
Plant and Equipment - Cost	4,058,785	3,547,854
Less Accumulated Depreciation	<u>(2,296,140)</u>	<u>(1,995,132)</u>
	1,762,645	1,552,722
Tools - Cost	6,250	6,250
Less Accumulated Depreciation	<u>(4,574)</u>	<u>(4,574)</u>
	1,676	1,676
	<u>6,362,538</u>	<u>5,922,898</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the 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 \$	Tools \$	Total \$
Balance as at 1 July 2009	4,293,353	75,147	1,552,722	1,676	5,922,898
Additions	369,330	50,301	805,820	0	1,225,451
(Disposals)	0	0	(126,540)	0	(126,540)
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (losses)	0	0	0	0	0
- reversals	0	0	0	0	0
Depreciation (Expense)	(156,961)	(32,953)	(469,357)	0	(659,271)
Other Movements	0	0	0	0	0
Balance as at 30 June 2010	<u>4,505,722</u>	<u>92,495</u>	<u>1,762,645</u>	<u>1,676</u>	<u>6,362,538</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
7. INFRASTRUCTURE		
Roads - Cost	32,617,235	31,409,059
Less Accumulated Depreciation	<u>(18,950,943)</u>	<u>(18,366,242)</u>
	13,666,292	13,042,817
Infrastructure - Other	299,369	99,170
Less Accumulated Depreciation	<u>(3,563)</u>	<u>0</u>
	295,806	99,170
	<u><u>13,962,098</u></u>	<u><u>13,141,987</u></u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	<u>Roads</u> \$	<u>Other</u> \$	<u>Total</u> \$
Balance as at 1 July 2009	13,042,817	99,170	13,141,987
Additions	1,208,176	200,199	1,408,375
(Disposals)	0	0	0
Revaluation - Increments	0	0	0
- (Decrements)	0	0	0
Impairment - (losses)	0	0	0
- reversals	0	0	0
Depreciation (Expense)	(584,701)	(3,563)	(588,264)
Other Movements	0	0	0
Balance as at 30 June 2010	<u>13,666,292</u>	<u>295,806</u>	<u>13,962,098</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010	2009
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	67,259	145,773
Other Payables	4,408	55,638
PAYGW	21,300	17,848
Accrued Interest on Debentures	2,690	4,688
	<u>95,657</u>	<u>223,947</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	<u>25,164</u>	<u>59,323</u>
	<u>25,164</u>	<u>59,323</u>
Non-Current		
Secured by Floating Charge Debentures	<u>534,176</u>	<u>559,340</u>
	<u>534,176</u>	<u>559,340</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	65,619	65,302
Provision for Long Service Leave	52,695	40,149
	<u>118,314</u>	<u>105,451</u>
Non-Current		
Provision for Long Service Leave	<u>10,204</u>	<u>14,502</u>
	<u>10,204</u>	<u>14,502</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
11. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	77,503	77,458	76,750
Amount Set Aside / Transfer to Reserve	3,349	1,930	3,955
Amount Used / Transfer from Reserve	0	0	(3,202)
	<u>80,852</u>	<u>79,388</u>	<u>77,503</u>
(b) Plant Reserve			
Opening Balance	367,473	367,263	345,915
Amount Set Aside / Transfer to Reserve	15,800	9,164	156,705
Amount Used / Transfer from Reserve	(200,000)	(200,000)	(135,147)
	<u>183,273</u>	<u>176,427</u>	<u>367,473</u>
(c) Building Reserve			
Opening Balance	766,165	765,727	1,131,388
Amount Set Aside / Transfer to Reserve	33,453	19,098	234,777
Amount Used / Transfer from Reserve	(45,280)	(350,000)	(600,000)
	<u>754,338</u>	<u>434,825</u>	<u>766,165</u>
(d) Yalgoo Ninghan Road Reserve			
Opening Balance	285,701	285,538	271,182
Amount Set Aside / Transfer to Reserve	12,307	7,116	14,519
Amount Used / Transfer from Reserve	(100,000)	(100,000)	0
	<u>198,008</u>	<u>192,654</u>	<u>285,701</u>
(e) Sport Complex Reserve			
Opening Balance	96,615	96,560	53,716
Amount Set Aside / Transfer to Reserve	4,175	2,410	42,899
Amount Used / Transfer from Reserve	0	0	0
	<u>100,790</u>	<u>98,970</u>	<u>96,615</u>
(f) Housing Maintenance Reserve			
Opening Balance	29,657	29,641	32,373
Amount Set Aside / Transfer to Reserve	1,282	740	13,084
Amount Used / Transfer from Reserve	0	0	(15,800)
	<u>30,939</u>	<u>30,381</u>	<u>29,657</u>
(g) General Road Reserve			
Opening Balance	65,224	65,186	61,909
Amount Set Aside / Transfer to Reserve	2,819	1,624	3,315
Amount Used / Transfer from Reserve	0	0	0
	<u>68,043</u>	<u>66,810</u>	<u>65,224</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

	2010 \$	2010 Budget \$	2009 \$
11. RESERVES - CASH BACKED			
(h) Community Amenities Maintenance Reserve			
Opening Balance	102,550	102,491	59,349
Amount Set Aside / Transfer to Reserve	4,433	2,557	43,201
Amount Used / Transfer from Reserve	0	(30,000)	0
	<u>106,983</u>	<u>75,048</u>	<u>102,550</u>
(i) HCP Reserve			
Opening Balance	2,688	2,686	2,551
Amount Set Aside / Transfer to Reserve	116	67	137
Amount Used / Transfer from Reserve	0	0	0
	<u>2,804</u>	<u>2,753</u>	<u>2,688</u>
(j) Yalgoo Morawa Road Reserve			
Opening Balance	52,732	52,701	50,052
Amount Set Aside / Transfer to Reserve	2,279	1,313	2,680
Amount Used / Transfer from Reserve	0	0	0
	<u>55,011</u>	<u>54,014</u>	<u>52,732</u>
(k) Superannuation Back-pay Reserve			
Opening Balance	200,115	200,000	0
Amount Set Aside / Transfer to Reserve	8,648	5,000	200,115
Amount Used / Transfer from Reserve	0	(200,000)	0
	<u>208,763</u>	<u>5,000</u>	<u>200,115</u>
TOTAL CASH BACKED RESERVES	<u><u>1,789,804</u></u>	<u><u>1,216,270</u></u>	<u><u>2,046,423</u></u>

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

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

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

11. RESERVES - CASH BACKED (cont..)

Long Service Leave Reserve (Previously Titled Leave Reserve)

- To be used to fund annual and long service leave requirements.
- The title of the reserve account was changed to better reflect the purpose of the reserve.

Plant Reserve

- To be used for the purchase of major plant.

Building Reserve

- For the replacement of council properties including housing and other properties.

Yalgoo Ninghan Road Reserve

- To be used to maintain the sealed road Yalgoo Ninghan Road.

Sports Complex Reserve

- For the development of new recreational facilities.

Community Amenities Maintenance Reserves

- For the maintenance of community amenities.

HCP Reserve

- For future community projects operating expenditure.

Housing Maintenance Reserve

- For the maintenance of staff & other housing owned by the Shire.

Yalgoo Morawa Road Reserve

- To be used to maintain the sealed road Yalgoo Ninghan Road.

General Road Reserve

- For the maintenance of grids, etc on roads in the Shire.

Superannuation Back-Pay Reserve

- For the purpose of paying any superannuation back pay costs.

The Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

12. RESERVES - ASSET REVALUATION

2010

2009

\$

\$

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

(a) **Land and Buildings**

Balance as at 1 July 2009	1,152,104	1,152,104
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2010	<u>1,152,104</u>	<u>1,152,104</u>

TOTAL ASSET REVALUATION RESERVES

1,152,104

1,152,104

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand 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:

	2010 \$	2010 Budget \$	2009 \$
Cash and Cash Equivalents	<u>3,162,001</u>	<u>1,234,105</u>	<u>3,022,107</u>

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

Net Result	1,771,615	2,037,610	1,510,011
Depreciation	1,247,535	1,246,459	1,230,168
(Profit)/Loss on Sale of Asset	(28,581)	7,518	12,096
(Increase)/Decrease in Receivables	(198,417)	(15,969)	28,419
(Increase)/Decrease in Inventories	5,495	(2,005)	4,005
Increase/(Decrease) in Payables	(128,290)	(164,715)	9,995
Increase/(Decrease) in Employee Provisions	8,565	0	(19,365)
Grants/Contributions for the Development of Assets	<u>(1,526,770)</u>	<u>(2,714,149)</u>	<u>(1,740,607)</u>
Net Cash from Operating Activities	<u>1,151,152</u>	<u>394,749</u>	<u>1,034,722</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

Bank Overdraft limit	50,000	50,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	15,000	5,000
Credit Card Balance at Balance Date	<u>0</u>	<u>0</u>
Total Amount of Credit Unused	<u>65,000</u>	<u>55,000</u>

Loan Facilities

Loan Facilities - Current	25,164	59,323
Loan Facilities - Non-Current	<u>534,176</u>	<u>559,340</u>
Total Facilities in Use at Balance Date	<u>559,340</u>	<u>618,663</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>
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SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

14. CONTINGENT LIABILITIES

There are no known contingent liabilities as at balance date.

15. CAPITAL AND LEASING COMMITMENTS

2010

2009

\$

\$

(a) Finance Lease Commitments

There were no finance lease commitments at balance date.

(b) Operating Lease Commitments

There were no operating lease commitments at balance date.

(c) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

763,715

0

Payable:

- not later than one year

763,715

0

The capital expenditure project outstanding at the end of the current reporting period represents \$396,545 for the Health Centre, \$356,790 for Water Playground, \$4,380 for ramp at Paynes Find and \$6,000 for solar lights at Town Entry Statements.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

16. JOINT VENTURE

The Shire does not participate in any joint ventures.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	3,216	399,825
General Purpose Funding	3,263,639	2,718,250
Law, Order, Public Safety	291,375	35,676
Health	24,402	778
Housing	1,832,645	1,807,217
Community Amenities	433,058	382,741
Recreation and Culture	1,541,209	1,197,504
Transport	14,680,195	13,912,442
Economic Services	565,599	523,709
Other Property and Services	1,187,320	1,297,010
Unallocated	15,770	-29,291
	<u>23,838,428</u>	<u>22,245,861</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

18. FINANCIAL RATIOS	2010	2009	2008
Current Ratio	5.017	2.231	1.291
Untied Cash to Unpaid Trade Creditors Ratio	4.758	3.639	1.081
Debt Ratio	0.033	0.043	0.049
Debt Service Ratio	0.028	0.031	0.079
Gross Debt to Revenue Ratio	0.159	0.197	0.263
Gross Debt to Economically Realisable Assets Ratio	0.023	0.068	0.082
Rate Coverage Ratio	0.206	0.210	0.214
Outstanding Rates Ratio	0.026	0.070	0.021

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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-09 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-10 \$
Yamatji BBMAC	150	0	0	150
Community Bus Bond - School	350	0	0	350
Housing Bonds	1,878	360	(180)	2,058
Land Auction Proceeds	2,500	0	0	2,500
Casual Hall Bond	150	0	0	150
Library Bond	25	0	0	25
Land Deposit	880	0	0	880
BCITF	0	1,336		1,336
Candidate Deposits	0	400	(400)	0
Unallocated	42,773	0	(42,900)	(127)
	<u>48,706</u>			<u>7,322</u>

20. DISPOSALS OF ASSETS - 2009/10 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Ride on Mower	0	1,157	0	4,000	0	2,843
Canter	0	0	2,730	10,000	2,730	10,000
Work Ute - YA 453	0	30,345	0	25,000	0	(5,345)
Work Ute - YA 456	26,549	60,896	22,727	50,000	(3,822)	(10,896)
Foreman's Ute - YA 899	32,793	67,322	24,273	55,000	(8,520)	(12,322)
Towed MT Roller	0	0	0	2,000	0	2,000
Iveco	0	42,358	0	45,000	0	2,642
Forklift	0	0	4,000	2,000	4,000	2,000
Fuel Trailer	0	0	0	2,000	0	2,000
Fuel Trailer	0	0	0	2,000	0	2,000
Fuel Trailer	0	0	0	2,000	0	2,000
Mitsubishi Pajero - Y0	36,776	44,440	31,818	40,000	(4,958)	(4,440)
Tip Truck	30,422	0	59,000	0	28,578	0
Kubota Tractor	0	0	10,573	0	10,573	0
	<u>126,540</u>	<u>246,518</u>	<u>155,121</u>	<u>239,000</u>	<u>28,581</u>	<u>(7,518)</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-09 \$	New Loans \$	Principal Repayments		Principal 30-Jun-10		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Loan 51 - A & B Selwyn	54,466	0	35,717	18,150	18,749	51,241	3,029	1,223
Loan 53 - 19 A & B Stanley	201,475	0	8,616	8,616	192,859	192,859	13,237	12,951
Loan 55 - 18 C & D Shamrock	256,216	0	10,551	10,551	245,665	245,665	16,358	16,688
Community Amenities								
Loan 54 - Public Conveniences	106,505	0	4,439	4,438	102,067	102,067	6,641	6,641
	618,662	0	59,323	41,755	559,340	591,832	39,265	37,503

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

(b) New Debentures - 2009/10

There were no new debentures in 2009/10.

(c) Unspent Debentures

There were no unspent debentures as at 30th June 2010.

(d) Overdraft

Council established an overdraft facility of \$50,000 in 2000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2009 and 30 June 2010 was \$Nil.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

22. RATING INFORMATION - 2009/10 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV - Townsite Improved	0.0759	35	225,564	16,505	1,309	0	17,814	16,505	0	0	16,505
GRV - Townsite Vacant	0.0759	0	0	0	0	0	0	0	0	0	0
UV - Mining	0.2446	122	3,805,854	805,810	40,067	0	845,877	851,466	368	0	851,834
UV - Pastoral/Rural	0.0782	21	630,412	48,970	392	0	49,362	48,907	0	0	48,907
UV - Exploration/Prospecting	0.1308	98	520,868	86,136	(22,746)	0	63,390	95,744	0	0	95,744
Sub-Totals		276	5,182,698	957,421	19,022	0	976,443	1,012,622	368	0	1,012,989
Minimum Rates	Minimum \$										
GRV - Townsite Improved	225	5	4,198	1,125	0	0	1,125	1,125	0	0	1,125
GRV - Townsite Vacant	521	12	497	6,773	(521)	0	6,252	6,773	0	0	6,773
UV - Mining	225	38	23,438	9,326	1,022	0	10,348	9,450	0	0	9,450
UV - Pastoral/Rural	225	2	1,347	675	(225)	0	450	675	0	0	675
UV - Special Use	225	0	0	0	100	0	100	0	0	0	0
UV - Exploration/Prospecting	225	102	73,495	24,750	3,039	0	27,789	26,775	0	0	26,775
Sub-Totals		159	102,975	42,649	3,415	0	46,064	44,798	0	0	44,798
Ex-Gratia Rates							1,022,507				1,057,787
Write-Offs							15,317				15,317
Totals							(8,361)				0
							1,029,463				1,073,104

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

23. SPECIFIED AREA RATE - 2009/10 FINANCIAL YEAR

Council did not impose any specified area rates in the 2009/10 financial year.

24. SERVICE CHARGES - 2009/10 FINANCIAL YEAR

No service charges were levied in the 2009/10 financial year.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2009/10 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Rate Assessment	Write-Off		8,361	0

26. INTEREST CHARGES AND INSTALMENTS - 2009/10 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		9,162	3,000
			9,162	3,000

Ratepayers had the option of paying rates in four equal instalments, due on 5th October 2009, 7th December 2009, 8th February 2010 and 8th April 2010.

27. FEES & CHARGES

	2010 \$	2009 \$
General Purpose Funding	6,701	4,517
Law, Order, Public Safety	7,408	552
Health	0	1,521
Housing	19,494	15,307
Community Amenities	10,828	11,155
Recreation and Culture	1,875	3,565
Economic Services	18,432	33,220
Other Property and Services	30,091	16,450
	<u>94,829</u>	<u>86,287</u>

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

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

28. GRANT REVENUE	2010	2009
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	2,187,719	1,878,035
Non-Operating Grants, Subsidies and Contributions	<u>1,526,770</u>	<u>1,740,607</u>
	<u><u>3,714,489</u></u>	<u><u>3,618,642</u></u>
By Program:		
Governance	10,000	0
General Purpose Funding	2,093,557	2,531,732
Law, Order, Public Safety	276,995	6,933
Health	419,205	9,900
Recreation and Culture	30,000	15,000
Transport	810,641	852,098
Economic Services	74,091	189,360
Other Property and Services	0	13,619
	<u><u>3,714,489</u></u>	<u><u>3,618,642</u></u>

29. COUNCILLORS' REMUNERATION	2010	2010	2009
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	16,307	16,840	10,427
President's Allowance	6,300	6,300	5,500
Deputy President's Allowance	958	1,050	833
Travelling Expenses	11,249	11,000	9,392
Telecommunications Allowance	0	0	2,300
	<u><u>34,814</u></u>	<u><u>35,190</u></u>	<u><u>28,452</u></u>

30a) EMPLOYEE NUMBERS	2010	2009
The number of full-time equivalent employees at balance date		
	<u><u>16</u></u>	<u><u>21</u></u>

30b) EMPLOYEES' REMUNERATION	2010	2009
Set out below in bands of \$10,000 is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.		
Salary Range \$		
100,000 - 109,999		1
110,000 - 119,999		
120,000 - \$129,999	1	

31. MAJOR LAND TRANSACTIONS

No major land transactions occurred during the year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2009/10 financial year.

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	3,162,001	3,022,107	3,162,001	3,022,107
Receivables	351,791	153,374	351,791	153,374
	<u>3,513,792</u>	<u>3,175,481</u>	<u>3,513,792</u>	<u>3,175,481</u>
Financial Liabilities				
Payables	95,657	223,947	95,657	223,947
Borrowings	559,340	618,663	311,560	347,435
	<u>654,997</u>	<u>842,610</u>	<u>407,217</u>	<u>571,382</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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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.

	30-Jun-10	30-Jun-09
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	31,858	22,337
- Income Statement	31,858	22,337

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 YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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

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:

	30-Jun-10	30-Jun-09
Percentage of Rates and Annual Charges		
- Current	0.00%	11.71%
- Overdue	100.00%	88.29%
Percentage of Other Receivables		
- Current	94.27%	76.08%
- Overdue	5.73%	23.92%

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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>2010</u>					
Payables	95,657	0	0	95,657	95,657
Borrowings	79,216	239,371	514,631	833,218	559,340
	<u>174,873</u>	<u>239,371</u>	<u>514,631</u>	<u>928,875</u>	<u>654,997</u>
<u>2009</u>					
Payables	223,947	0	0	223,947	223,947
Borrowings	58,118	0	875,784	933,902	618,663
	<u>282,065</u>	<u>0</u>	<u>875,784</u>	<u>1,157,849</u>	<u>842,610</u>

SHIRE OF YALGOO
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 2010</u>								
Borrowings								
Fixed Rate								
Debentures	44,649	26,824	28,593	30,479	32,489	156,081	319,115	6.56%
Weighted Average Effective Interest Rate	6.63%	6.49%	6.49%	6.49%	6.49%	6.49%		
<u>Year Ended 30 June 2009</u>								
Borrowings								
Fixed Rate								
Debentures	54,468					564,195	618,663	6.52%
Weighted Average Effective Interest Rate	6.83%					6.49%		