



Shire of Leonora

ANNUAL REPORT

**For the year ending
30th JUNE 2011**

ANNUAL REPORT 2010-2011



TABLE OF CONTENTS

SECTION		PAGE
1.0	President's Message	3
2.0	Chief Executive Officer's Message	4
3.0	Councillor Details	5
4.0	Employees – Chart	6
5.0	Independent Audit Report	7–34
6.0	Financial Report	35–83
7.0	National Competition Policy Statement	62
7.1	Competitive Neutrality	62
7.2	Structural Review of Public Monopolies	62–63
8.0	Overview of the Plan for the Future	63
9.0	Disability Access and Inclusion Plan (DAIP)	63
10.0	Record Keeping Plan	63–64
11.0	Employee's Remuneration	64
12.0	Official Conduct – Complaints Register	64

ANNUAL REPORT 2010-2011



MESSAGE FROM THE SHIRE PRESIDENT

During 2010-11 there has been a great deal of regulatory change through the Department for Local Government, which includes the Integrated Strategic Planning Framework. This new framework is part of structural reform initiatives announced by the Minister nearly two years ago, and has resulted in a great deal of work being undertaken throughout the industry. The Shire of Leonora was very fortunate to be partly prepared for this workload, through the preparation of a strategic plan (based on community consultation), preparation for asset management planning, and a forward capital works plan over the last two years.

Historically, Western Australia has been lagging in long term financial management principles, and the Integrated Strategic Planning Framework seeks to address this issue. It will place a greater focus on communities being engaged in the long term planning of its future, through the development of a Strategic Community Plan. This Strategic Community Plan will then form the basis of a Corporate Business Plan, from which Asset Management, Workforce, and Long Term Financial Plans will result. The greatest impact that this will have is moving away from annual budgeting cycles, and instead, budgets will flow directly from the plans mentioned above. This will assist to ensure that the objectives identified within the strategic community plan and corporate business plan are adhered to, and not deviated from.

I am pleased to report that the Council and staff have been very proactive in long term considerations of the future of the community, and are well placed to commence on the journey ahead with regard to long term planning. The support and participation of the community has been essential in the process, and I look forward to the continued collaboration between Council and the community in the future.

The completed Oval Sports Complex was officially opened by the Hon Brendan Grylls, and the Lawn Bowling Facility had neared completion at the end of the reporting period. Both facilities have received great interest and will promote recreation opportunities for the local community. Other continued successful events have included the Leonora Golden Gift, Australasian Safari Tour, which have provided for increased tourism, and economic opportunities for the local community.

I am pleased to note that once again the Shire of Leonora has received a 'clean' (no points of statutory non compliance) audit report from its independent auditor. The auditor's report within this annual report has been prepared by a new firm, following the retirement of Council's previous auditor.

On behalf of the Council and staff, I would like to thank the community for its participation in various events and activities, and we can look forward to the coming year of projects and events that will see continued improvement.

Cr Jeff Carter
President

ANNUAL REPORT 2010-2011



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Significant capital works continued through 2010/11, including the Lawn Bowling Facility, Underground Power to Industrial Lots etc. The Bowling Facility was very near completion at the end of the reporting period with only some capital expenditure carried forward into 2011/12 to complete works to the shade structure. The completion of subdivision and development of industrial lots will see an auction held early in 2011/12. This will assist and promote business opportunities in the community, as well as economic development.

The Shire has continued to embrace various structural reform initiatives, such as its continued participation and membership in the Goldfields Esperance Voluntary Regional Organisation of Councils (GVROC), as well as the Goldfields Esperance Regional Collaborative Group (GERCG). In addition, the new Integrated Strategic Planning Framework released by the Department of Local Government has seen much work undertaken by staff to begin implementation of this framework. Although this will require a great deal of work and time by staff, council, and the community, the proactive approach to these types of initiatives in recent years will greatly assist the Shire of Leonora to address and comply with the associated requirements of the framework.

Dedication of the membership ensures the Shire of Leonora operates as one complete team, being able to achieve anything. Council's support has remained steadfast and progressive throughout the year and is demonstrated by meeting attendances as highlighted below.

COUNCILLOR	MEETING CONVENED	ATTENDED	% ATTENDANCE
J F Carter	11	10	91%
P J Craig	11	10	91%
M W V Taylor	11	11	100%
G W Baker	11	11	100%
S J Heather	11	11	100%
N G Johnson	11	4	36%
R A Norrie	11	10	91%
L R Petersen	11	10	91%
J C Kennedy	11	11	100%

Once again, the Shire has finished in a strong financial position, and as with any good team it's the dedication and commitment of its members that makes a winning combination, and I would like to thank all the staff and Councillors for their perseverance and loyalty over the year in review, and I look forward to the challenges and rewards that 2011/12 will present to us.

Jim Epis
Chief Executive Officer

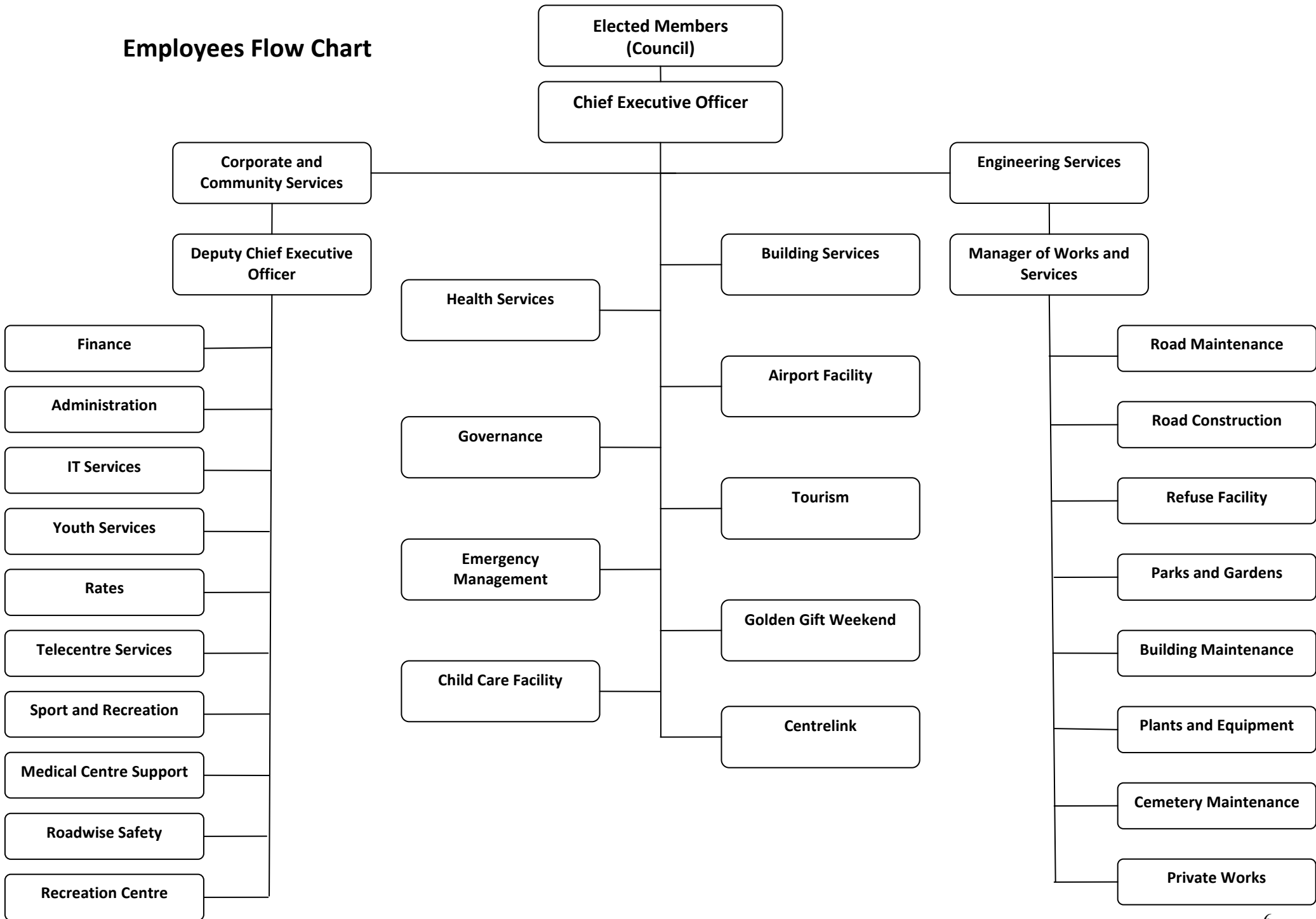
ANNUAL REPORT 2010-2011



COUNCILLOR DETAILS

POSITION	WARD	RETIREMENT YEAR	CONTACT	NUMBER
PRESIDENT Mr J F CARTER Clover Downs Station (PO Box 85) LEONORA WA 6438	NORTH	2013	WK HM FAX MOB EMAIL	08 9037 6159 08 9037 6159 0417 981 016 jeff@cloverdowns.com.au
DEPUTY PRESIDENT Mr P CRAIG 9B North Road (PO Box 118) LEINSTER WA 6437	NORTH	2011	WK HM FAX MOB EMAIL	08 9037 9191 08 9037 9054 08 9037 9192 0418 950 572 peter.craig@bagden.com.au
Mr M W V Taylor 10 Forrest Street (PO Box 226) LEONORA WA 6438	SOUTH	2011	WK HM FAX MOB EMAIL	08 6314 4712 0417 976 169 matt@pmcc.com.au
Mr N G JOHNSON Lot 146 Gwalia Street (PO Box 2) LEONORA WA 6438	SOUTH	2011	WK HM FAX MOB EMAIL	08 9037 6131 08 9037 6264 0418 958 418 ngpjohno@bigpond.com
Ms L R PETERSEN Lot 1114 Gwalia Street (PO Box 69) LEONORA WA 6438	SOUTH	2013	WK HM FAX MOB EMAIL	08 9037 6400 08 9037 6404 0419 177 232 Butsonsbs@westnet.com.au
Mr S J HEATHER Lot 8 Gwalia Street (PO Box 223) LEONORA WA 6438	NORTH	2013	WK HM FAX MOB EMAIL	08 9037 6153 08 9037 6153 0408 996 373 jjheather@bigpond.com
Mr R A NORRIE Lot 260 Queen Victoria (PO Box 397) LEONORA WA 6438	SOUTH	2011	WK HM FAX MOB EMAIL	08 9037 6777 08 9037 7389 08 9037 6788 0409 377 386 rosscpa@bigpond.net.au
Mr J C KENNEDY 5 Wildara Way (PO Box 246) LEINSTER WA 6437	NORTH	2011	WK HM FAX MOB EMAIL	08 9037 0737 08 9037 0737 0439 680 404 mariejoe@bigpond.com
Mr GW BAKER "Waarnba" LOC 51 Laverton Road (PO Box 90) LEONORA WA 6438	SOUTH	2013	WK HM FAX MOB EMAIL	08 9037 6090 08 9037 6090 08 9037 6090 sixmile6@bigpond.com

Employees Flow Chart





Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

Unit 8 / 7 Hector Street, Osborne Park WA 6017

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INDEPENDENT AUDIT REPORT TO THE ELECTORS OF THE SHIRE OF LEONORA

Scope

We have audited the financial report of Shire of Leonora for the year ended 30 June 2011. The financial report comprises the Statement by Chief Executive Officer, Statement of Comprehensive Income, Statement of Financial Position, Statement of Change in Equity, Cash Flow Statement, Rate Setting Statement and accompanying notes to the financial statements.

The Council is responsible for the preparation of a financial report which provides a true and fair view of the financial performance and position of the council in accordance with the Local Government Act 1995, and Regulations. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for accounting policies and estimates inherent to the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the electors of the Shire of Leonora. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995, and Regulations, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of their performance which is represented by the results of operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence, supporting the amounts and disclosures in the financial report.
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of managements internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



We performed procedures to assess whether the substance of business transactions were accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the executive and management of the Shire of Leonora.

Independence

Anderson Munro & Wyllie are independent of the Shire of Leonora, and have met the independence requirements of Australian professional ethical pronouncements and the Local Government Act 1995.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of the Shire of Leonora are properly drawn up:

- a) So as to give a true and fair view of the state of affairs of the Shire as at 30 June 2011 and the results of its operations and cash flows for the year then ended;
- b) In accordance with the requirements of the Local Government Act 1995; and
- c) In Accordance with Applicable Australian Accounting Standards.

Statutory Compliance

- a) We did not during the course of the audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.
- b) There were no material or significant adverse trends in financial position or financial management practices revealed during the course of our audit.
- c) We have obtained all necessary information and explanations in relation to our audit.
- d) Our audit procedures were all satisfactorily completed.

Dated the 12th day of October 2011 in Perth, Western Australia

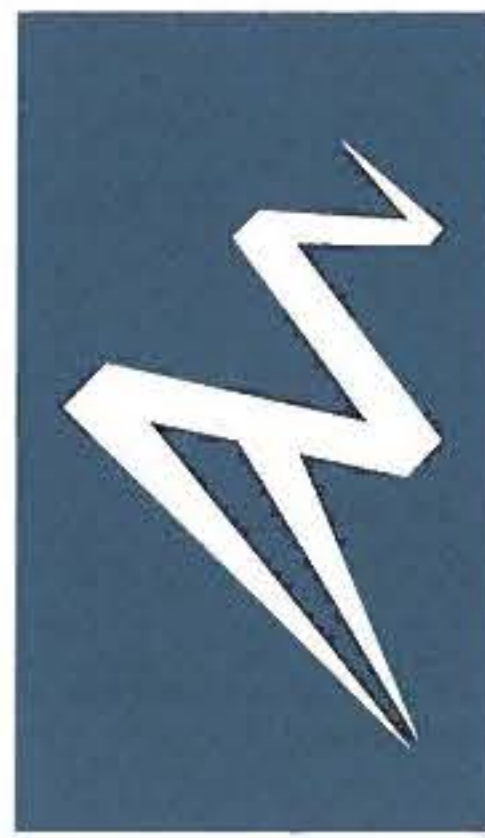
AMW (AUDIT) PTY LTD

Anderson Munro & Wyllie

ANDERSON MUNRO & WYLLIE
Chartered Accountants

Li

CHRISTOPHER McLAUGHLIN
Registered Company Auditor



Anderson Munro & Wyllie

CHARTERED ACCOUNTANTS

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31 October 2011

Mr. Jim Epis
Chief Executive Officer
Shire of Leonora
PO Box 56
Leonora WA 6438

Dear Jim

MANAGEMENT LETTER

We have now completed our audit of Shire of Leonora for the year ended 30 June 2011.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. While our procedures are designed to identify any material weaknesses and detect misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

During this audit, we noted the following matter which we believe need to be brought to your attention.

Payroll Testing

Our testing of payroll identified numerous issues that need to be addressed as detailed below:

1. There are no checks made of the correctness of bank details entered onto the system for new employees (or new suppliers) prior to paying them. During the year an amount paid to a new employee "bounced-back" as their bank details were incorrect. This may have been due to the employee giving incorrect details, or these being entered incorrectly onto the payroll system. We recommend that prior to paying new employees a second person review the details entered onto the system to ensure they are correct per the new employee. In addition we recommend this checking process also occur for new suppliers.
2. The "non-outside" employees timesheets are not signed as being reviewed for correctness. The CEO stated that he had been reviewing these sporadically, and a new system was being implemented to ensure they are reviewed. We recommend you ensure this system is implemented as soon as possible, and that all employees are having their timesheets reviewed for correctness.
3. For one employee selected for testing, no current documentation exists to formally document their current pay rate. (This should be signed by the CEO and the employee).



4. We noted instances where deductions from employee pays were not supported by deduction authority forms signed by the employee. All deductions from employee pays should be supported by a signed deduction authority from the employee.
5. For one employee selected for testing, we could not agree their pay rate to either the award or an employment contract. Where an employee is hired not directly under the award, the different terms and conditions need to be documented and signed by the CEO and the employee. Ideally these employees would each have current employment contracts.
6. For one employee selected for testing, the pay on 01/12/2010 showed their industry allowance was being paid at the pre October 2010 rate, and not the post October 2010 rate. The payroll records need to be updated and any arrears paid to the effected employees. Measures should be taken to ensure that award changes are updated in the payroll system as soon as they become applicable.
7. We noted that some employees were paid leave loading of 17.5% on the annual leave that they took during the year, however leave loading is not addressed in their employment contracts. We acknowledge that where the employment contract does not state if the employee is entitled to leave loading on annual leave you are paying it, as this is the advice you have received. We recommend that next time the employees' contracts are updated they specifically discuss the issue of leave loading on annual leave, and any future employees have this matter dealt with in their initial contract.
8. We noted that no formal procedure exists for the approval of the CEO's annual leave. All leave taken by the CEO should be approved by Council by way of the signing of a leave application form by both parties. Short periods of leave could be authorised retrospectively by Council, all longer periods should be approved in advance.

Plant Hours

During our testing of timesheet costings we noted the following issues:

1. 11 August 2010. Per timesheet used plant # P011 for 1 hour. Per the timesheets costings worksheet the plant # stated is P2087.
2. 09 February 2011. Per timesheet used plant # P2225 for 3 hours. Per the timesheets costings worksheet the plant # stated is P2253.
3. 09 February 2011. Per timesheet used plant # P289 for 52 hours. Per the timesheets costings worksheet the plant # stated is P2221.

If the plant number on the timesheets is incorrect then it should be changed on the timesheet to show this has been reviewed and corrected, not just entered onto the timesheets costings worksheet.

We recommend that in future more care is taken to enter the plant numbers to the timesheets costings worksheets.



Meeting Minutes

We noted during our audit that some of the minutes for the Council meetings during the year did not have page numbers, and some did not appear to be filed in their correct order. This made it difficult to read and review the minutes.

In future, we recommend that all Council meeting minutes contain page numbers and care be taken to ensure that the pages are correctly filed in numerical order.

Employee Files

We noted during our interim audit in June 2011 that the employee files were not standardised and there was no index to show what or where different items were filed. In addition there was no checklist to show which documents should be filed. We noted at the time that this could lead to the misfiling of documents, not completing the appropriate documentation and additional time spent looking for information.

We recommended that all employee files be standardised and include an index of the items filed (such as employment contract, annual leave forms, tax declarations, correspondence, superannuation forms, CV/resume, etc). These files would also have a checklist to show what has been filed. This will ensure all information required to be on the employee files is present and easy to locate.

During our final audit in August 2011 we noted that the recommendations made above were in the process of being implemented.

Compliance Audit Return

During our review of the 2010 Compliance Audit Return we noted the following instances of non-compliance with the Local Government Act (Act);

- SS.46(2), All delegations made under Div4 of Part 5 of the Act were not reviewed by the delegator at least once during the 09/10 financial year.
- S5.38, Employee performance reviews were carried out, however not all were completed within the 12 month time limit.
- S3.16(1), Reviews of the local laws hadn't been carried out within the required period of eight years.

We acknowledge that all of these items have currently been resolved, or are in the process of being resolved.

We recommend that in future the necessary measures be taken to ensure compliance with the Act regarding the issues noted above. These measures should ensure that the Council remains compliant with the Act and its Regulations.



Minor Issues Noted

In addition to the issues noted above there were also several minor issues noted as detailed below:

Plant and Equipment Stocktake

During our audit we noted that no plant and equipment stocktake had been performed for quite some time. As the plant and equipment for the Shire is a significant asset we recommend they be counted and verified back to the assets listing on a regular basis.

We recommend that a plant and equipment stocktake be performed prior to 30 June 2012.

Long Service Leave

We noted during our audit that the long service leave ("LSL") provision in the prior year financials (30 June 2010) did not appear to correctly split the current and non-current portions as several employees who were due LSL were not listed as being current.

The provision in the financials for the year ended 30 June 2011 correctly takes into account all employees that are due for their LSL.

We take this opportunity to thank Tanya and your staff for the assistance provided to us during the course of the audit.

Please do not hesitate to call should you like to discuss any aspect of the audit.

Yours Sincerely
ANDERSON MUNRO & WYLIE

CHRIS McLAUGHLIN
Director

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

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 49
Independent Audit Report	50 & 51

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 6TH day of October, 2011



Jim Epis
Chief Executive Officer

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

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Rates	22	4,591,575	4,518,121	4,062,688
Operating Grants, Subsidies and Contributions	28	2,144,095	1,671,322	2,381,096
Fees and Charges	27	1,415,723	669,155	838,662
Interest Earnings	2(a)	105,283	35,078	68,533
Other Revenue		374,887	358,560	50,159
		<u>8,631,563</u>	<u>7,252,236</u>	<u>7,401,138</u>
EXPENSES				
Employee Costs		(2,407,834)	(3,571,300)	(2,132,400)
Materials and Contracts		(2,882,352)	(2,004,318)	(2,573,098)
Utility Charges		(321,665)	(111,200)	(280,886)
Depreciation on Non-Current Assets	2(a)	(992,365)	(1,419,000)	(1,024,635)
Insurance Expenses		(214,783)	(216,450)	(188,427)
Other Expenditure		(179,681)	(445,587)	(266,077)
		<u>(6,998,680)</u>	<u>(7,767,855)</u>	<u>(6,465,523)</u>
		1,632,883	(515,619)	935,615
Non-Operating Grants, Subsidies and Contributions	28	763,238	1,213,001	317,085
Profit on Asset Disposals	20	0	207,944	44,086
Loss on Asset Disposal	20	(122,943)	(55,363)	(61,577)
		<u>2,273,178</u>	<u>849,963</u>	<u>1,235,209</u>
NET RESULT				
Other Comprehensive Income				
Changes on revaluation of non-current assets		(12,949)	0	(1,433,142)
Total Other Comprehensive Income		<u>(12,949)</u>	<u>0</u>	<u>(1,433,142)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>2,260,229</u></u>	<u><u>849,963</u></u>	<u><u>(197,933)</u></u>

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

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

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Governance		2,754	41,660	45,480
General Purpose Funding		5,891,063	5,341,572	5,548,272
Law, Order, Public Safety		17,069	43,350	47,798
Health		14,905	16,720	15,711
Education and Welfare		113,070	270,790	180,645
Housing		42,481	41,520	41,591
Community Amenities		80,948	617,259	71,395
Recreation and Culture		683,604	719,516	166,144
Transport		1,249,461	1,058,944	921,983
Economic Services		428,531	380,150	376,214
Other Property and Services		870,915	141,700	347,076
	2 (a)	<u>9,394,801</u>	<u>8,673,181</u>	<u>7,762,309</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(210,948)	(285,998)	(195,506)
General Purpose Funding		(383,053)	(368,831)	(353,029)
Law, Order, Public Safety		(140,382)	(174,211)	(152,015)
Health		(444,190)	(438,712)	(435,973)
Education and Welfare		(223,136)	(282,000)	(221,009)
Community Amenities		(224,986)	(291,638)	(223,518)
Recreation & Culture		(920,780)	(1,157,018)	(992,584)
Transport		(2,682,932)	(3,524,856)	(2,878,728)
Economic Services		(1,141,713)	(1,229,954)	(844,036)
Other Property and Services		(749,503)	(70,000)	(230,701)
	2 (a)	<u>(7,121,623)</u>	<u>(7,823,218)</u>	<u>(6,527,099)</u>
NET RESULT		<u>2,273,178</u>	<u>849,963</u>	<u>1,235,210</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets		(12,949)	0	(1,433,142)
Total Other Comprehensive Income		<u>(12,949)</u>	<u>0</u>	<u>(1,433,142)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>2,260,229</u></u>	<u><u>849,963</u></u>	<u><u>(197,932)</u></u>

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

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

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	649,328	1,758,857
Trade and Other Receivables	4	305,160	368,412
Inventories	5	44,700	40,645
TOTAL CURRENT ASSETS		<u>999,188</u>	<u>2,167,914</u>
NON-CURRENT ASSETS			
Inventories	5	1,107,851	186,803
Property, Plant and Equipment	6	11,553,622	9,292,578
Infrastructure	7	40,194,425	39,827,529
TOTAL NON-CURRENT ASSETS		<u>52,855,898</u>	<u>49,306,910</u>
TOTAL ASSETS	17	<u>53,855,086</u>	<u>51,474,824</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	87,880	47,417
Provisions	10	336,744	170,537
TOTAL CURRENT LIABILITIES		<u>424,624</u>	<u>217,954</u>
NON-CURRENT LIABILITIES			
Provisions	10	11,599	98,236
TOTAL NON-CURRENT LIABILITIES		<u>11,599</u>	<u>98,236</u>
TOTAL LIABILITIES		<u>436,223</u>	<u>316,190</u>
NET ASSETS		<u>53,418,863</u>	<u>51,158,634</u>
EQUITY			
Retained Surplus		34,714,822	31,496,649
Reserves - Cash Backed	11	308,432	1,253,427
Reserves - Asset Revaluation	12	18,395,609	18,408,558
TOTAL EQUITY		<u>53,418,863</u>	<u>51,158,634</u>

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

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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2009		31,224,922	1,723,086	19,841,700	52,789,708
Net Result		1,235,210	0	0	1,235,210
Total Other Comprehensive Income		(1,433,142)	0	(1,433,142)	(2,866,284)
Reserve Transfers		469,659	(469,659)	0	0
Balance as at 30 June 2010		31,496,649	1,253,427	18,408,558	51,158,634
Net Result		2,273,178	0	0	2,273,178
Total Other Comprehensive Income		0	0	(12,949)	(12,949)
Reserve Transfers		944,995	(944,995)	0	0
Balance as at 30 June 2011		34,714,822	308,432	18,395,609	53,418,863

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

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

	NOTE	2011 \$	2011 Budget \$	2010 \$
Cash Flows From Operating Activities				
Receipts				
Rates		4,650,882	4,518,121	4,066,448
Operating Grants, Subsidies and Contributions		2,050,472	1,671,322	2,381,096
Fees and Charges		1,415,723	1,137,191	767,415
Interest Earnings		105,283	35,078	68,533
Goods and Services Tax		97,568	110,000	519,425
Other Revenue		374,887	358,560	50,158
		<u>8,694,815</u>	<u>7,830,272</u>	<u>7,853,075</u>
Payments				
Employee Costs		(2,363,185)	(3,571,300)	(2,182,583)
Materials and Contracts		(2,811,023)	(2,011,020)	(2,583,671)
Utility Charges		(321,665)	(111,200)	(280,886)
Insurance Expenses		(214,783)	(216,450)	(188,427)
Goods and Services Tax		0	(210,000)	(557,693)
Other Expenditure		(179,681)	(445,587)	(266,075)
		<u>(5,890,337)</u>	<u>(6,565,557)</u>	<u>(6,059,335)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>2,804,478</u>	<u>1,264,715</u>	<u>1,793,740</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		(921,048)	0	(122,545)
Payments for Purchase of Property, Plant & Equipment		(3,122,846)	(4,300,581)	(2,583,107)
Payments for Construction of Infrastructure		(913,715)	(383,243)	(244,029)
Revaluation of Assets		0	0	0
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		763,238	1,213,001	317,085
Proceeds from Sale of Plant & Equipment		280,364	702,581	373,817
Net Cash Provided By (Used In) Investing Activities		<u>(3,914,007)</u>	<u>(2,768,242)</u>	<u>(2,258,779)</u>
Net Increase (Decrease) in Cash Held		(1,109,529)	(1,503,527)	(465,039)
Cash at Beginning of Year		1,758,857	1,758,954	2,223,895
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>649,328</u></u>	<u><u>255,427</u></u>	<u><u>1,758,856</u></u>

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

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

	NOTE	2011 \$	2011 Budget \$
REVENUE			
Governance		2,754	41,660
General Purpose Funding		1,299,488	823,451
Law, Order, Public Safety		17,069	43,350
Health		14,905	16,720
Education and Welfare		113,070	270,790
Housing		42,481	41,520
Community Amenities		80,948	617,259
Recreation and Culture		683,604	719,516
Transport		1,249,461	1,058,944
Economic Services		428,531	380,150
Other Property and Services		870,915	141,700
		<u>4,803,226</u>	<u>4,155,060</u>
EXPENSES			
Governance		(210,948)	(285,998)
General Purpose Funding		(383,053)	(368,831)
Law, Order, Public Safety		(140,382)	(174,211)
Health		(444,190)	(438,712)
Education and Welfare		(223,136)	(282,000)
Community Amenities		(224,986)	(291,638)
Recreation & Culture		(920,780)	(1,157,018)
Transport		(2,682,932)	(3,524,856)
Economic Services		(1,141,713)	(1,229,954)
Other Property and Services		(749,503)	(70,000)
		<u>(7,121,623)</u>	<u>(7,823,218)</u>
Net Operating Result Excluding Rates		(2,318,397)	(3,668,158)
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals	20	122,943	(152,581)
Movement in Accrued Salaries and Wages		6,889	0
Movement in Employee Benefit Provisions		(7,145)	0
Depreciation on Assets	2(a)	992,365	1,419,000
Capital Expenditure and Revenue			
Purchase Land Held for Resale	31	(921,048)	0
Purchase Land and Buildings	6	(2,425,165)	(3,384,173)
Purchase Infrastructure Assets - Roads	7	(809,893)	(323,243)
Purchase Infrastructure Assets - Other	7	0	(60,000)
Purchase Plant and Equipment	6	(684,785)	(896,408)
Purchase Furniture and Equipment	6	(12,896)	(20,000)
Proceeds from Disposal of Assets	20	280,364	702,581
Transfers to Reserves (Restricted Assets)	11	(58,328)	(2,000)
Transfers from Reserves (Restricted Assets)	11	1,003,323	1,000,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		867,070	866,861
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		523,050	0
Amount Required to be Raised from Rates	22	<u>(4,487,753)</u>	<u>(4,518,121)</u>

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

(d) Cash and Cash Equivalents

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

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

(e) Trade and Other Receivables

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

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

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

Land Held for Resale

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

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

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

(g) Fixed Assets

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

Initial Recognition

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

Revaluation

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

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 charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Land under Roads

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

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

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

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

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

Depreciation of Non-Current Assets

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

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

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

Buildings	30 to 50 years
Furniture and Equipment	2 to 15 years
Plant and Equipment	5 to 15 years
Infrastructure	10 to 40 years

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

Gains and losses on disposals are determined by comparing proceeds with 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

The Shire has no capitalisation threshold.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount
- (b) less any reduction for impairment.

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

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

(v) Financial liabilities

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

Impairment

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

(i) Estimation of Fair Value

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

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

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

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

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

(k) Trade and Other Payables

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

(l) Employee Benefits

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

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

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

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

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

(m) Borrowing Costs

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

(o) Leases

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

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.

(p) Joint Venture

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

(q) Rates, Grants, Donations and Other Contributions

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

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

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2011.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Notes:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

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

Interpretation 19

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

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

2. REVENUE AND EXPENSES	2011	2010
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as a Revenue:		
Significant Revenue		
General Purpose Funding	<u>282,776</u>	<u>266,250</u>
This significant expense in both years relates to the early payment of a WA Grants Commission Quarterly instalment.		
2010		
WA Grants Commission Quarterly		
Auditors Remuneration		
- Audit	7,287	5,050
- Other Services	0	1,000
Depreciation		
Land & Buildings	125,885	140,660
Furniture and Equipment	22,969	26,065
Plant and Equipment	309,641	297,080
Roads	399,350	429,630
Roads - Other	57,606	57,606
Other Infrastructure	76,914	73,594
	<u>992,365</u>	<u>1,024,635</u>
(ii) Crediting as Revenue:	2011	2011
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	55,007	10,078
- Other Funds	50,276	25,000
	<u>105,283</u>	<u>35,078</u>
	<u>105,283</u>	<u>68,533</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Includes costs and revenues associated with the President and Councillors in the exercise of their obligations as a governing body. Items of expenditure include conference, travel, meeting attendance fees, presidential allowance, receptions, donations, subscriptions and phone rentals. Costs of advertising and conducting elections are also included. Revenues include election nomination fees and reimbursements by members for private expenses.

An administration cost is also allocated which enables staff to process Council Meeting procedures, implement all government decisions and conduct Council meetings. Cost of conducting audit of Council books of accounts and procedures is also include under this heading.

GENERAL PURPOSE FUNDING

1 Rates

- (a) GRV (gross rental value) refers to property rates for Leonora, Gwalia, Leinster and Agnew town sites and operational mines and associated infrastructure.
- (b) UV (unimproved value) refers to mining properties and tenements (other than mines and other associated infrastructure) and includes prospecting licences, exploration licences and mining leases. It also refers to broad acre rural pastoral properties.
- (c) Additional rates and rates written back refer mainly to mining rates where tenements are granted or surrendered following the adoption of the budget.
- (d) Administration charge refers to the charge levied on ratepayers electing to make payment of rates on the offered instalment plan and is based on the actual cost involved in administering this process
- (e) Administration costs allocated are the costs of maintaining records, levying and collecting all rates.

2 Grants

- (a) Grants Commission - a general purpose grant allocated annually by the Federal Government to all local governments. The amount is determined by various formulae devised by the Grants Commission, with a significant component being based on population.
- (b) Roads Grant - An untied road grant allocated by the Federal Government and again distributed by the Grants Commission utilising a pre-determined formula.
- (c) Administration costs allocated to grants refers to the costs associated in collection of Federal Government grants including provision and updating of data used in grants commission formula.

3 Interest from Investments

Includes interest received on surplus funds invested throughout the year from both operating and reserve accounts.

LAW, ORDER, PUBLIC SAFETY

Costs and revenues associated with animal control within the Shire and also includes fire insurance, dog control and registration.

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

HEALTH

Costs and revenues associated with compliance with the Health Act including inspections and approvals, food quality control, mosquito control, septic tank inspection/control, food hygiene inspection/control, contribution to doctors expenses, Royal Flying Doctor donation and notification of disease.

EDUCATION AND WELFARE

Provision of support for education and aged and disabled facilities within the district for the betterment of the residents.

HOUSING

Costs of maintaining Council owned accommodation units and collection of rentals paid by staff for use of those buildings. Costs that can be accurately attributed to other programs are allocated. Revenue associated with a State Government owned house by way of loan repayments to Council are also included.

Accommodation units include 3 houses, 2 duplexes and a single persons quarters.

COMMUNITY AMENITIES

Costs of collection and disposal of domestic and commercial refuse for town site of Leonora and Gwalia and maintenance of the landfill refuse site. Revenue collection by way of an annual fee for this service which is included on rate assessment notices.

Costs associated with review and administration of Council's Town Planning Scheme.

Provision of Christmas decorations in Leonora Town site.

Operation of the Leonora Cemetery.

RECREATION AND CULTURE

Provision and maintenance of Council owned parks, gardens and grassed oval/recreation ground at Leonora and a contribution to similar facilities within Leinster townsite.

Costs of operation and maintenance of a purpose built recreation centre which includes indoor basketball court, two squash courts, kitchen, gymnasium and associated facilities and revenues collected from the public for use of these facilities.

Costs of maintenance of Council owned and provided television and radio re-transmission service which includes GWN, WIN and SBS television and WAFM and ABC fine music radio.

Costs and revenues associated with the operation and maintenance of library facilities at Leonora in conjunction with the Library Board of Western Australia.

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

TRANSPORT

Maintenance and improvements of 1,300 kilometres of Council controlled unsealed roads, town site footpaths and streets, drainage control, street cleaning and provision and maintenance of street trees. Costs of providing electricity for steel lights in the Leonora/Gwalia town sites and maintenance of Council's works depot and associated infrastructure.

Operation, maintenance and management of Leonora Aerodrome including runways, runway lighting, tarmac and terminal building and gardens. Purchase of aviation fuel for resale to aircraft operators.

Revenues by way of landing fees and Head Tax charges charged to all aircraft with the exception of the Royal Flying Doctors Service, lease/renting of building to all users of facilities and charges for fuel supplied to aircraft.

ECONOMIC SERVICES

Costs associated with tourism promotion throughout the Shire including employment of a Curator/Promotion Officer at the Gwalia Museum and historic precinct.

Contribution to employment of a Goldfields/Esperance Development Officer operating from Shire Offices - Leonora.

Contribution to costs of North Eastern Goldfields Land care Organisation.

Costs and revenues associated with building control under building regulations, including inspections and issuing building permits.

OTHER PROPERTY & SERVICES

Costs and revenues for private hire of Council machinery and operators for completion of private works for ratepayers and others.

Costing allocation pools including administration, overheads, plant operation costs and salaries and wages which are all individually detailed and then allocated throughout all previously mentioned operating activities, works and services.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-09 \$	Received (+) 2009/10 \$	Expended (#) 2009/10 \$	Closing Balance (*) 30-Jun-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance 30-Jun-11 \$
Grants for Youth Support	Education & Welfare	77,739	41,838	(16,106)	103,471	0	(58,191)	45,280
Grant for Northern Goldfields Recreation Officer	Recreation and Culture	42,589	0	(42,589)	0	0	0	0
Grant for Crime Prevention	Law, Order & Public Safety	3,411	8,600	(7,164)	4,847	0	(4,847)	0
Royalties for Regions	General Purpose Funding	304,618	304,618	(609,236)	0	0	0	0
Grant for Playground	Recreation and Culture	7,936	0	(7,936)	0	0	0	0
Grant for Graffiti Hotspot	Education & Welfare	20,000	0	(20,000)	0	0	0	0
Videoconferencing	Recreation and Culture	0	4,888	0	4,888	0	(3,074)	1,814
Roadwise Project	Law, Order & Public Safety	0	25,580	(20,604)	4,976	0	(4,976)	0
Northern Goldfields Tourism Group	Recreation and Culture	52,454	45,000	(60,752)	36,702	45,000	(42,950)	38,752
Centrelink Operation	Recreation and Culture	0	0	0	0	36,005	(36,005)	0
GEDC - Lawn Bowling Facility	Recreation and Culture	0	0	0	0	125,000	(125,000)	0
RLCIP - Lawn Bowling Facility	Recreation and Culture	0	0	0	0	30,000	(30,000)	0
Royalties for Regions	General Purpose Funding	0	0	0	0	384,062	(384,062)	0
Sport & Rec - Tennis Courts	Recreation and Culture	0	0	0	0	37,366	(37,366)	0
Grant - Telecentre Website	Recreation and Culture	0	0	0	0	2,000	(2,000)	0
Child Care Sustainability	Education & Welfare	0	0	0	0	50,790	(50,790)	0
Youth Centre Refurbishment	Education & Welfare	0	0	0	0	30,046	(30,046)	0
Total		<u>508,747</u>	<u>430,524</u>	<u>(784,387)</u>	<u>154,884</u>	<u>740,269</u>	<u>(809,307)</u>	<u>85,846</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 LEONORA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	255,050	350,546
Restricted	394,278	1,408,311
	<u>649,328</u>	<u>1,758,857</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Long Service Leave Reserve	129,055	123,196
Fire Disaster Reserve	12,691	12,115
Plant Purchase Reserve	992	992
Annual Leave Reserve	120,974	115,482
Bowling Green Reserve	44,720	1,001,642
Unspent Grants	85,846	154,884
	<u>394,278</u>	<u>1,408,311</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	53,934	59,307
Sundry Debtors	251,226	211,537
GST Receivable	0	97,568
	<u>305,160</u>	<u>368,412</u>
5. INVENTORIES		
Current		
Fuel and Materials	44,700	40,645
	<u>44,700</u>	<u>40,645</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	2,500	2,500
Development Costs	1,105,351	184,303
	<u>1,107,851</u>	<u>186,803</u>

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

	2011 \$	2010 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Management Valuation 2010	7,015,429	7,015,429
Land and Buildings - Cost	2,425,165	0
Less Accumulated Depreciation	<u>(125,885)</u>	<u>0</u>
	9,314,709	7,015,429
Furniture and Equipment - Cost	378,964	366,068
Less Accumulated Depreciation	<u>(339,165)</u>	<u>(316,196)</u>
	39,799	49,872
Plant and Equipment - Cost	3,788,636	3,682,000
Less Accumulated Depreciation	<u>(1,589,522)</u>	<u>(1,454,723)</u>
	2,199,114	2,227,277
	<u>11,553,622</u>	<u>9,292,578</u>

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each building asset is fairly stated at reporting date.

This policy also accords with AASB 116.

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at the beginning of the year	7,015,429	49,872	2,227,277	9,292,578
Additions	2,425,165	12,896	684,785	3,122,846
(Disposals)	0	0	(403,307)	(403,307)
Revaluation - Increments - (Decrements)	0 0	0 0	0 0	0 0
Impairment - (losses) - reversals	0 0	0 0	0 0	0 0
Depreciation (Expense)	(125,885)	(22,969)	(309,641)	(458,495)
Carrying amount at the end of year	9,314,709	39,799	2,199,114	11,553,622

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

	2011	2010
	\$	\$
7. INFRASTRUCTURE		
Roads - management valuation 2011	49,996,550	0
Roads - management valuation 2010	0	49,021,009
Less Accumulated Depreciation	<u>(15,362,451)</u>	<u>(14,888,326)</u>
	34,634,099	34,132,683
Roads Other - Cost	2,518,195	2,518,195
Less Accumulated Depreciation	<u>(560,448)</u>	<u>(502,842)</u>
	1,957,747	2,015,353
Other - management valuation 2010	3,845,652	3,845,653
Less Accumulated Depreciation	<u>(243,073)</u>	<u>(166,160)</u>
	3,602,579	3,679,493
	<u>40,194,425</u>	<u>39,827,529</u>

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each road asset and other infrastructure is fairly stated at reporting date.

This policy also accords with AASB 116.

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

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Roads - Other \$	Other \$	Total \$
Balance at the beginning of the year	34,132,683	2,015,353	3,679,493	39,827,529
Additions	809,893	0	103,822	913,715
(Disposals)	0	0	0	0
Revaluation - Increments - (Decrements)	0 (12,949)	0 0	0 0	0 (12,949)
Impairment - (losses) - reversals	0 0	0 0	0 0	0 0
Depreciation (Expense)	(399,350)	(57,606)	(76,914)	(533,870)
Carrying amount at the end of year	<u>34,530,277</u>	<u>1,957,747</u>	<u>3,706,401</u>	<u>40,194,425</u>

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

	2011	2010
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	80,954	5,570
PAYG Payable	37	41,847
Accrued Salaries and Wages	6,889	0
	<u>87,880</u>	<u>47,417</u>
9. LONG-TERM BORROWINGS		
The Shire has no long term borrowings for the financial year.		
10. PROVISIONS		
Current		
Provision for Annual Leave	142,273	115,999
Provision for Long Service Leave	194,471	54,538
	<u>336,744</u>	<u>170,537</u>
Non-Current		
Provision for Long Service Leave	11,599	98,236
	<u>11,599</u>	<u>98,236</u>

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

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	123,196	123,196	119,484
Amount Set Aside / Transfer to Reserve	5,859	0	3,746
Amount Used / Transfer from Reserve	0	0	(34)
	<u>129,055</u>	<u>123,196</u>	<u>123,196</u>
(b) Fire Disaster Reserve			
Opening Balance	12,115	12,115	9,755
Amount Set Aside / Transfer to Reserve	3,899	2,000	2,363
Amount Used / Transfer from Reserve	(3,323)	0	(3)
	<u>12,691</u>	<u>14,115</u>	<u>12,115</u>
(c) Combined Sporting Reserve			
Opening Balance	0	0	825,458
Amount Set Aside / Transfer to Reserve	0	0	324,726
Amount Used / Transfer from Reserve	0	0	(1,150,184)
	<u>0</u>	<u>0</u>	<u>0</u>
(d) Plant Purchase Reserve			
Opening Balance	992	992	56,387
Amount Set Aside / Transfer to Reserve	0	0	89,621
Amount Used / Transfer from Reserve	0	0	(145,016)
	<u>992</u>	<u>992</u>	<u>992</u>
(e) Bowling Green Reserve			
Opening Balance	1,001,642	1,001,642	600,000
Amount Set Aside / Transfer to Reserve	43,078	0	401,811
Amount Used / Transfer from Reserve	(1,000,000)	(1,000,000)	(169)
	<u>44,720</u>	<u>1,642</u>	<u>1,001,642</u>
(f) Annual Leave Reserve			
Opening Balance	115,482	115,482	112,002
Amount Set Aside / Transfer to Reserve	5,492	0	3,512
Amount Used / Transfer from Reserve	0	0	(32)
	<u>120,974</u>	<u>115,482</u>	<u>115,482</u>
TOTAL CASH BACKED RESERVES	<u><u>308,432</u></u>	<u><u>255,427</u></u>	<u><u>1,253,427</u></u>

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

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

11. RESERVES - CASH BACKED (continued).

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

Long Service Leave Reserve

- This reserve is to offset Council's leave liability to it's employees.

Fire Disaster Reserve

- This reserve will assist in the provision of emergency contingencies in the case of fire disaster.

Combined Sporting Club Reserve

- To set aside money for the building of a combined sporting club facility within the Shire.

Plant Purchase Reserve

- to be used for the purchase of major plant.

Bowling Green Reserve

- to be used for the maintenance of the bowling green.

Annual Leave Reserve

- this reserve is to offset council's annual leave liability to it's employees.

Housing Reserve

- To set aside money for the building of housing within the Shire.

None of the above reserves are expected to be used within a set period as further transfers to the reserve accounts are expected before funds are utilised.

12. RESERVES - ASSET REVALUATION

	2011	2010
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	0	127,531
Revaluation Increment	0	0
Revaluation Decrement	0	(127,531)
	0	0
(b) Roads		
Opening Balance	17,165,458	16,441,892
Revaluation Increment	0	723,566
Revaluation Decrement	(12,949)	0
	17,152,509	17,165,458
(c) Other Infrastructure		
Opening Balance	1,243,100	1,233,100
Revaluation Increment	0	10,000
Revaluation Decrement	0	0
	1,243,100	1,243,100
TOTAL ASSET REVALUATION RESERVES	18,395,609	18,408,558

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

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2011 \$	2011 Budget \$	2010 \$
Cash and Cash Equivalents	<u>649,328</u>	<u>255,427</u>	<u>1,758,857</u>

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

Net Result	2,273,178	849,963	1,235,210
Writedown of Assets	0	0	0
Depreciation	992,365	1,419,000	1,024,635
(Profit)/Loss on Sale of Asset	122,943	(152,581)	17,491
(Increase)/Decrease in Receivables	63,252	368,036	(105,755)
(Increase)/Decrease in Inventories	(4,055)	40,715	(8,197)
Increase/(Decrease) in Payables	33,574	(47,417)	(60,361)
Increase/(Decrease) in Employee Provisions	86,459	0	7,802
Grants/Contributions for the Development of Assets	(763,238)	(1,213,001)	(317,085)
Net Cash from Operating Activities	<u>2,804,478</u>	<u>1,264,715</u>	<u>1,793,740</u>

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

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	20,000	10,000
Credit Card Balance at Balance Date	<u>3,720</u>	<u>4,352</u>
Total Amount of Credit Unused	<u>23,720</u>	<u>14,352</u>
Unused Loan Facilities at Balance Date	<u>Nil</u>	<u>Nil</u>

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

14. CONTINGENT LIABILITIES

There were no known contingent liabilities at balance date.

15. CAPITAL AND LEASING COMMITMENTS	2011	2010
	\$	\$
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	28,337	16,102
- later than one year but not later than five years	46,801	28,991
- later than five years	<u>0</u>	<u>0</u>
	<u><u>75,138</u></u>	<u><u>45,093</u></u>
(c) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	320,000	2,277,145
Payable:		
- not later than one year	320,000	2,277,145

The capital expenditure project outstanding at the end of the current reporting period represents the completion of the construction of the Bowling Club and associated facilities.

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

16. JOINT VENTURE

The Shire together with the Shire of Laverton and Shire of Menzies have a joint venture arrangement with regard to the provision of an Environmental Health and Building Surveying Service. There are no joint assets involved with the arrangement and the Shire of Leonora on charges all of the Shire of Laverton's and Shire of Menzies' share of the cost.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2011	2010
	\$	\$
General Purpose Funding	53,938	362,891
Law, Order, Public Safety	48,323	22,385
Health	314,627	309,752
Education and Welfare	103,349	103,471
Housing	1,381,025	1,368,131
Community Amenities	2,073,665	1,182,660
Recreation and Culture	5,955,636	4,720,427
Transport	41,408,662	40,994,067
Economic Services	417,231	443,897
Other Property and Services	1,655,183	1,881,681
Unallocated	339,625	85,462
	<u>53,751,264</u>	<u>51,474,824</u>

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

18. FINANCIAL RATIOS	2011	2010	2009
Current Ratio	3.47	15.85	3.06
Untied Cash to Unpaid Trade Creditors Ratio	3.15	7.39	1.19
Debt Ratio	0.01	0.01	0.01
Debt Service Ratio	0.00	0.00	0.00
Gross Debt to Revenue Ratio	0.00	0.00	0.00
Gross Debt to Economically Realisable Assets Ratio	0.00	0.00	0.00
Rate Coverage Ratio	0.49	0.52	0.49
Outstanding Rates Ratio	0.00	0.01	0.02

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

19. TRUST FUNDS

The Shire of Leonora hold no funds on behalf of other entities.

20. DISPOSALS OF ASSETS - 2010/11 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Health						
Ford FG WR6 Turbo	33,588	34,000	27,273	27,273	(6,315)	(6,727)
Ford Falcon FG WR6 Turbo	33,159	34,000	29,091	29,091	(4,068)	(4,909)
Transport					0	
Nissan Patrol DX	33,931	35,000	22,727	25,000	(11,204)	(10,000)
Ford Ranger Crew Cab	27,878	29,000	20,000	15,000	(7,878)	(14,000)
Ford PJ Ranger C/Cab	27,916	30,000	20,000	25,000	(7,916)	(5,000)
Community Amenities						
Izuzu Garbage Truck	0	50,000	0	50,000	0	0
Industrial Land	0	184,000	0	318,944	0	134,944
Other Property & Services						
Ford Falcon 2009	41,470	43,000	35,000	35,000	(6,470)	(8,000)
Ford FG WR6 Turbo	33,332	34,000	27,273	27,273	(6,059)	(6,727)
2006 Cat Grader	172,033	77,000	99,000	150,000	(73,033)	73,000
	403,307	550,000	280,364	702,581	(122,943)	152,581

Profit	0	207,944
(Loss)	(122,943)	(55,363)
	<u>(122,943)</u>	<u>152,581</u>

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

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

The Shire of Leonora has no borrowings.

(b) New Debentures - 2010/11

No new debentures were raised during the financial year.

(c) Unspent Debentures

Council had no unspent debentures for the financial year.

(d) Overdraft

Council has no overdraft facility.

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

22. RATING INFORMATION - 2010/11 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV	0.0545	574	15,330,012	835,531	53,789	0	889,320	835,531	0	0	835,531
UV Pastoral	0.0450	26	1,239,156	55,762	(541)	0	55,221	56,762	0	0	56,762
UV Other	0.1200	1,185	27,591,838	3,311,021	9,758	0	3,320,779	3,443,328	0	0	3,443,328
Sub-Totals		1,785	44,161,006	4,202,313	63,006	0	4,265,319	4,335,621	0	0	4,335,621
Minimum Rates											
GRV	250	100	137,903	25,000	484	0	25,484	24,500	0	0	24,500
UV Pastoral	250	4	15,156	1,000	533	0	1,533	1,000	0	0	1,000
UV Other	250	1,012	1,140,705	253,000	49,337	0	302,337	257,000	0	0	257,000
Sub-Totals		1,116	1,293,764	279,000	50,354	0	329,354	282,500	0	0	282,500
Ex-Gratia Rates							4,594,673				4,618,121
Specified Area Rate (refer note 23)							0				0
Writeoffs							0				0
Discounts (refer note 25)							4,594,673				4,618,121
Totals							(3,098)				(100,000)
							0				0
							4,591,575				4,518,121

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

23. SPECIFIED AREA RATE - 2010/11 FINANCIAL YEAR

Council did not impose a specified area rate.

24. SERVICE CHARGES - 2010/11 FINANCIAL YEAR

Council did not levy a service charge

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

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Landing Fees	Discount	100.00%	3,000	3,000
Housing Rental	Discount	100.00%	5,200	5,200
			8,200	8,200
Rate Assessment	Write-Off		3,098	100,000

Landing Fees

The Royal Flying Doctor Service (RFDS) has been granted a continuous waiver on landing fees at the airport. This waiver is in recognition of the valuable community service provided by the RFDS to the district.

Housing Rental

The Shire of Leonora provides housing to the local Doctor who resides in Leonora and all rent is waived as per an agreement between the Doctor and Council.

Mining Tenements

Numerous mining tenements are raised by Council throughout the financial year. On occasions rates are raised for the whole year, but the tenement is surrendered within the year. This results in the necessity to write off tenement rates for the period when the tenement is surrendered to the end of the financial year.

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

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Charges on Instalment Plan		45	4,095	4,050
			4,095	4,050

Ratepayers had the option of paying rates in four equal instalments, due on 3rd September 2010, 3rd November 2010, 3rd January 2011 and 3rd March 2011. An administration fee of \$45 was levied per assessment for the pay in four instalment option.

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

27. FEES & CHARGES	2011	2010
	\$	\$
Governance	0	480
General Purpose Funding	4,421	21,081
Law, Order, Public Safety	4,617	6,843
Health	2,615	2,999
Education and Welfare	29,233	76,589
Housing	31,553	29,590
Community Amenities	80,948	71,395
Recreation and Culture	77,502	47,228
Transport	471,239	304,636
Economic Services	124,233	64,401
Other Property and Services	589,362	213,420
	<u>1,415,723</u>	<u>838,662</u>

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

28. GRANT REVENUE

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

By Nature and Type:	2011	2010
	\$	\$
Operating Grants, Subsidies and Contributions	2,144,095	2,381,096
Non-Operating Grants, Subsidies and Contributions	763,238	317,085
	<u>2,907,333</u>	<u>2,698,181</u>
By Program:		
Governance	1,500	10,000
General Purpose Funding	1,191,037	1,431,028
Law, Order, Public Safety	12,452	40,955
Health	8,711	12,712
Education and Welfare	83,836	104,056
Housing	5,013	11,925
Recreation and Culture	605,324	118,916
Transport	778,222	596,491
Economic Services	205,322	311,013
Other Property and Services	15,916	61,085
	<u>2,907,333</u>	<u>2,698,181</u>

29. ELECTED MEMBERS REMUNERATION	2011	2011	2010
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	13,720	17,000	12,880
President's Allowance	12,000	12,000	12,000
Deputy President's Allowance	3,000	3,000	3,000
Travelling Expenses	7,183	6,500	4,747
Telecommunications Allowance	4,140	4,200	3,680
	<u>40,043</u>	<u>42,700</u>	<u>36,307</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2011	2010
<u>25</u>	<u>23</u>

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

31. MAJOR LAND TRANSACTIONS

Industrial Land Subdivision

(a) Details

The purchase and sale of Leonora lots 1354, 1355, 944, 550.

(b) Current year transactions	2011 \$	2011 Budget \$	2010 \$
Operating Revenue			
- Profit on sale	0	0	0
Capital Revenue			
- Sale Proceeds	0	(318,944)	0
Capital Expenditure			
- Purchase of Land	0	0	0
- Development Costs	921,048	800,000	122,545
	<u>921,048</u>	<u>800,000</u>	<u>122,545</u>

The above capital expenditure is included in land held for resale.

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

(c) Expected Future Cash Flows

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	Total \$
Cash Outflows						
- Development Costs	0	0	0	0	0	0
- Loan Repayments	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Inflows						
- Loan Proceeds	0	0	0	0	0	0
- Sale Proceeds	996,000	0	0	0	0	996,000
	<u>996,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>996,000</u>
Net Cash Flows	<u>996,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>996,000</u>

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	649,328	1,758,857	649,328	1,758,857
Receivables	305,160	368,412	305,160	368,412
	<u>954,488</u>	<u>2,127,269</u>	<u>954,488</u>	<u>2,127,269</u>
Financial Liabilities				
Payables	87,880	47,417	87,880	47,417
Borrowings	0	0	0	0
	<u>87,880</u>	<u>47,417</u>	<u>87,880</u>	<u>47,417</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.

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

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

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

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

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

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

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

	2011	2010
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	27,713	34,078
- Statement of Comprehensive Income	27,713	34,078

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

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

33. FINANCIAL RISK MANAGEMENT (Continued)
(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

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

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

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

	2011	2010
Percentage of Rates and Annual Charges		
- Current	1.19%	10.58%
- Overdue	98.81%	89.42%
Percentage of Other Receivables		
- Current	8.53%	87.01%
- Overdue	91.47%	12.99%

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

33. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
 Borrowings**

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

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

	<u>2011</u>	<u>2010</u>			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	88,251	0	0	88,251	88,251
	<u>88,251</u>	<u>0</u>	<u>0</u>	<u>88,251</u>	<u>88,251</u>
Payables	47,417	0	0	47,417	47,417
	<u>47,417</u>	<u>0</u>	<u>0</u>	<u>47,417</u>	<u>47,417</u>

7.0 NATIONAL COMPETITION POLICY STATEMENT

The Competition Principals Agreement is an Inter-government Agreement between the Commonwealth and State/Territory Governments that sets out how government will apply National Competition Policy principle to public sector organisations within their jurisdiction.

The State Government released a Policy Statement effective from July 1996 called the Clause 7 Statement which forms part of the Competition Principles Agreement. The clause 7 policy document sets out nominated principles from the Agreement that now apply to Local Government. The provisions of Clause 7 of the Competition Principles Agreement require local government to report annually as to the implementation, application and effects of the Competition Policy.

The Competition Principles Agreement, under Clause 7, specifies three broad areas of reporting, they are:

- Competitive Neutrality
- Structural Review of Public Monopolies; and
- Legislative Review

In accordance with the requirements of the National Competition Policy the Shire of Leonora makes the following disclosure for 2010/2011.

7.1 COMPETITIVE NEUTRALITY

The objective of competitive neutrality is the elimination of resource allocation distortions arising out of local government ownership of significant business activities.

The Shire of Leonora has assessed its operations and considers that it does not have a business activity that would be classed as significant under the current guidelines. Also the Shire of Leonora does not operate a business enterprise that has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or Public Financial Enterprise.

The number of activities to which competitive neutrality principles have been applied in the reporting period is: NIL.

The number of activities to which competitive neutrality principles have been considered but not applied in the reporting period is: NIL.

Under the implementation timetable required by the National Competition Policy Statement the Shire of Leonora was required to undertake a cost benefit analysis to determine which significant business activities would be subject to competitive neutrality principles by June 1, 1997. This analysis was not undertaken by the Shire as no significant activities have been identified as part of its operations.

During the reporting period the Shire of Leonora did not become aware of any allegations of non compliance with the competitive neutrality principles made by a private entity against the Shire.

7.2 STRUCTURAL REVIEW OF PUBLIC MONOPOLIES

In relation to Structural Review of Public Monopolies the Shire of Leonora discloses the following:

Structural reform principles have been applied to the following number of activities in the reporting period: NIL.

Structural reform principles have been considered but not applied to the following number of activities in the reporting period: NIL.

As no structural reform has been applied to any activities the review requirements of principle SR.3 of Clause 7 of the Competition Policy Statement have not been undertaken.

8.0 OVERVIEW OF THE PLAN FOR THE FUTURE

PLAN FOR THE FUTURE MAJOR INITIATIVE	COMPLETION	BUDGET
Bowling Club Facility	2011-12	\$2,000,000
Industrial Land Development	2010-11	\$900,000
Heating Swimming Pool	2011-12	\$250,000
Plant Replacement As Per Policy	2011-12	\$828,000
New Council House	2011-12	\$400,000

NEW INITIATIVES NOT IN THE PLAN FOR THE FUTURE	COMPLETION	BUDGET
Extension to CRC Meeting Room	2011-12	\$120,000
Youth Centre – External Refurbishment	2011-12	\$60,000
Restoration Patroni’s Guest House	2011-12	\$285,000

9.0 DISABILITY ACCESS INCLUSION PLAN (DIAP)

- (A) The Shire of Leonora is required to comply with the State Government imposed Disability Services Act (1993).
- (B) A Disability Access Inclusion Plan 2011-2015 has been approved with the following principal intent.
 - (i) Existing services are adapted to ensure they meet the needs of people with disabilities.
 - (ii) Access to buildings and facilities are improved.
- (C) The following delivery of services was implemented in the reporting year.

NIL

10.0 RECORD KEEPING PLAN

STATE RECORDS ACT 2000

- (A) The Shire of Leonora is required to comply with the abovementioned State Government imposed Legislation.
- (B) A Record Keeping Plan has been produced and approved by the State Records Commission for a period of 5 years to the 30th June, 2012. This plan must be reviewed prior to 8th October, 2012.

(C) In accordance with minimum compliance requirements of Principle 6 of the State Records Commission – Standard 2, the following has been implemented:

1. The efficiency and effectiveness of Councils Record Keeping Systems is evaluated not less than once every three years.
2. The Council conducts a Record Keeping Training program.
3. The efficiency and effectiveness of the Record Keeping Training program is reviewed from time to time.
4. The Council’s induction program addresses employee roles and responsibilities in regard to their compliance with Council’s Record Keeping Plan.

11.0 EMPLOYEES’S REMUNERATION

Pursuant to Section 5.53 (2)(g) of the Local Government Act 1995, and Administration Regulation 19B, 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 (\$)	No. of Employees
120,000 – 129,999	2
220,000 – 229,999	1

12.0 OFFICIAL CONDUCT – COMPLAINTS REGISTER

Pursuant to S.5.121 of the Local Government Act 1995, a complaints register has been maintained. As at the 30th June 2011, no complaints were recorded, therefore no action was required to deal with complaints.