



Shire of Denmark

953 South Coast Highway (PO Box 183) Denmark WA 6333

Phone: (08) 9848 0300 Fax: (08) 9848 1985

Email: enquiries@denmark.wa.gov.au

Website: www.denmark.wa.gov.au

Shire of Denmark Annual Report 2009/2010



Shire of Denmark

2009-2010 Annual Report

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SHIRE OF DENMARK'S PREFERRED CONSULTANTS, ADVISORS AND AGENTS

Solicitors

Mcleods Barristers and Lawyers
Stirling Law Chambers
220-222 Stirling Highway
Claremont WA 6010

Auditors

Lincolns Chartered Accountants
PO Box 494
Albany WA 6330

Banking Services

National Australia Bank Ltd
59 Strickland St
Denmark WA 6333

Debt Recovery Agents

Austral Mercantile Collections
Level 12, 256 Adelaide Terrace
Perth WA 6000

Insurance Broking

Local Government Insurance Services
PO Box 1003
West Perth WA 6872

Taxation and Accounting

WALGA Tax Service/UHY Haines Norton Chartered Accountants
15 Altona St
West Perth WA 6872

Human Resources Consultancy

WALGA – Workplace Solutions
15 Altona St
West Perth WA 6872

Risk Management/ Occupational Health and Safety Consultancy

Local Government Insurance Services
PO Box 1003
West Perth WA 6872

(The above list is provided to inform Electors of those companies who provide significant technical advice and expertise to Council. It is not intended to be an exhaustive list).

WELCOME TO DENMARK

Denmark is a very attractive environment and community. It comprises the Valley of the Giants forests, Wilderness National Parks, rivers, ocean, hills and the picturesque Scotsdale Valley.

A mixture of welcoming villages and inviting landscapes, Denmark has many of the highly desirable characteristics of a rural community. It also has a well developed cultural and environmental life that has accrued over many years.

The town of Denmark is located on the Denmark River and Wilson Inlet convenient to the regional centre of Albany, 50 kilometres to the east.

Community visions for economic development encompass a wide range of strategic directions. The most prominent goal however is to foster an increased entrepreneurial culture that consciously plans business and development initiatives within sustainability values, thereby managing a balance of local and externally funded initiatives.

CURRENT STATUS

| | |
|-------------------------------|-------------|
| Population (2006 Census) | 4511 |
| Population (1 July 2009) | 5322(est.*) |
| Annual Population Growth Rate | 2.7 %(est*) |

(* Source - Australian Bureau of Statistics (ABS). The Shire of Denmark provides this information in good faith and recommends that any person relying on this data undertake their own independent research. It is noted that the ABS has historically overstated their population estimates.

| | |
|--------------------------|--------------|
| Area | - 1842 sq km |
| Length of Roads | |
| - Sealed | - 202.18km |
| - Unsealed | - 689 km |
| Area of Parks & Reserves | - 1290 sq km |
| Number of Dwellings | - 2917 |

Educational Institutions

- Pre-Schools
- Primary Schools
- High School
- College of Agriculture
- TAFE
- Centre for Sustainable Living

VISION

The Shire of Denmark's long term vision for the Shire comprises:

1. Character and lifestyle sustained through careful planning.
2. A robust economy, based on local resources and skills.
3. A caring, cohesive community.
4. An expanded range of educational services.
5. A very attractive district to visit.



GOALS

1. **ENVIRONMENTAL MANAGEMENT**
To help conserve the natural environment of Denmark and promote its responsible use.
2. **LAND USE AND TOWN PLANNING**
To devise and apply planning instruments which minimise the negative impacts of development.
3. **ECONOMIC DEVELOPMENT**
To encourage economic activities, locally and in the region, which make appropriate use of Denmark's natural and human resources and its primary produce.
4. **SERVICES FOR THE COMMUNITY**
To support the provision of an equitable range of services and facilities.
5. **THE ORGANISATION**
To ensure that Council is able to serve the community efficiently, effectively and fairly.

FREEMAN OF THE SHIRE OF DENMARK

Mr Percy Berridge (dec) (17/11/1973)

Mrs Eileen Lunan (10/2/2006)

2010 CITIZENSHIP AWARD WINNERS

Citizen of the Year Award

Mrs Holly Ferrara

Young Citizen of the Year Award

Not awarded due to no nominations received.

Community Group of the Year Award

Denmark Historical Society

2009 SPORTS AWARD WINNERS

Senior Sportsperson of the Year

Mr Patrick McCarthy

Junior Sportsperson of the Year

Ms Michaela Ross

Services to Sport

Ms Laurel Payne

SHIRE PRESIDENT'S ADDRESS

It is my pleasure to present the Shire of Denmark Annual Report for the 2009-2010 financial year.

I have had the great privilege and honour of just completing the my first twelve months as the President of the Shire and I thank my fellow Councillors and the Chief Executive Officer for their support and their passion and commitment to the Shire of Denmark., in what has been a very busy year for the Shire on many different levels.

The Local Planning Strategy has made significant progress in the past twelve months and is currently nearing completion for consideration by Council as a draft for the purpose of undertaking community consultation. The Local Planning Strategy is one of the single most important tasks confronting Council as this document will guide and oversee the growth and development patterns of the Shire over the next twenty year period. Council will be actively seeking community input into the Strategy at the draft stage to ensure it reflects the views of residents. I would urge all those who have an interest in the Shire's future, and I hope that is everyone, to take the time to read and digest the Draft Strategy when available, participate in the community workshops that will be held and provide feedback to Council.

Similarly the Strategic Plan and Ten Year Financial Plan are nearing completion and between these three documents, the long term future of the Shire and the unmatched lifestyle, natural environment and commercial and economic opportunities we all enjoy, will be secured for the present and future generations.

While Local Government reform remained on the State Government agenda, the Shire of Denmark's position on potential amalgamation with our neighbouring Shires has not changed, that being we see little or no potential benefits for the Shire as an organisation or more importantly, for our local community to amalgamation and we are prepared to defend this position strongly. That said Council is prepared to meet and discuss with our neighbours to explore other reform opportunities and the recent Memorandum of Understanding signed with the City of Albany in regards to the distribution of Royalties for region funds, as evidence of our ability work cooperatively with our neighbours.

The 2009-2010 financial year has seen Council working on some significant capital works projects including the long overdue redevelopment of the Strickland St CBD, a project which will be ongoing over the next financial year and provide lasting economic benefits to the Shire. The renovation of the McLean Park Clubrooms (now known as the Joe Burton Pavilion) has also been a major highlight and with further works planned; this important community asset will likely become the premier sporting facility within the Great Southern region.

The Shire of Denmark takes great pride in listening and responding to our community's views and concerns on all issues and I am pleased that electors are taking the opportunity make appointments with myself, as part of my "Presidents Open Door Sessions" on Thursday afternoons. My fellow Councillors and indeed staff share this passion to service and as such I encourage all residents and electors of the Shire to discuss any issues or concerns that they may have with Council with either staff or elected members, your input is vital to ensure that the services and strategic direction of the Council represents your views.



Cr Ross Thornton
Shire President



COUNCILLORS CONTACT DETAILS

| Name | Contact Details | Photo |
|---|--|---|
| Cr Ross Thornton Shire President (Term Expires 2011) Town Ward | PO Box 495 Denmark WA 6333 Ph/Fax: 9840 9260 Email: pamross@bigpond.com.au |  |
| Cr Ken Richardson-Newton Deputy Shire President (Term Expires 2011) Scotsdale/Shadforth Ward | Lot 18 Kearsley Road (PO Box 699) Denmark WA 6333 Ph/Fax: 9848 1089 Email: kenannrn@wn.com.au |  |
| Cr Philip Barnes (Term Expires 2013) Town Ward | PO Box 512 Denmark WA 6333 Ph: 9848 1789 Email: prbarnes@wn.com.au |  |
| Cr Kim Barrow (Term Expires 2013) Town Ward | 95 Scotsdale Rd, Denmark WA 6333 Ph: 9848 1772 (H) Ph: 9848 1498 (W) Mob:0427 481498 Fax: 9848 1499 Email: kim.barrow@raywhite.com |  |
| Cr George Ebbett (Term Expires 2011) Kent/Nornalup Ward | Lot 2 Sheoak Drive (PO Box 641) Denmark WA 6333 Ph: 9848 2181 (H) Fax: 9848 3005 Mob: 0428 528 584 Email: georgeebbett@bigpond.com |  |
| Cr Adrian Hinds (Term Expires 2011) Town Ward | 4 Cotswold Road Denmark WA 6333 Ph: 9848 2872 (H) Fax: 9848 1711 Email: hindsaj@westnet.com.au |  |
| Cr Robert Laing (Term Expires 2011) Kent/Nornalup Ward | 798 Hazelvale Road Hazelvale via Denmark WA 6333 Ph: 9840 8421 Email: boblaing@bordnet.com.au |  |
| Cr Dawn Pedro (Term Expires 2013) Scotsdale/Shadforth Ward | 11 Sunnyglen Road Denmark WA 6333 Ph: 9848 1590 Mob: 0448 654 984 Email: pdpedro@westnet.com.au |  |
| Cr Richard Phair (Term Expires 2013) Kent/Nornalup Ward | 368 Peaceful Bay Road Denmark WA 6333 Ph: 9840 8078 Fax:9840 8424 Email: phair@westnet.com.au |  |
| Cr John Sampson (Term Expires 2013) Scotsdale/Shadforth Ward | 571 Lights Road (PO Box 540) Denmark WA 6333 Ph: 98481629 WebSite: http://councillorjohnsampson.denmark.org.au/ Email: councillor_sampson@westnet.com.au |  |
| Cr Alex Syme (Term Expires 2013) Scotsdale/Shadforth Ward | 1874 South Coast Highway Denmark WA 6333 Ph: 9848 1293 (H) Mob:0428 481 293 Email: alex.syme@westnet.com.au |  |
| Cr John Wakka (Term Expires 2011) Scotsdale/Shadforth Ward | 646 Harewood Rd Denmark WA 6333 Ph/Fax: 9840 9083 Email: wyrri@wn.com.au |  |

CHIEF EXECUTIVE OFFICER'S REPORT

It has once again been a very busy twelve month period for the Shire of Denmark, with major capital works and strategic planning issues occupying a significant amount of staff resources over the past year.

The following is a summary of major projects and services undertaken by the Shire over the past year and I would welcome any comment or questions from Electors regarding these issues.

Structural Reform

The recent Memorandum of Understanding signed with the City of Albany in regards to the distribution of Royalties for Regions funds marks a significant step forward with our targets neighbour and will result if real and significant benefits to the Shire of Denmark in terms of investment in new community assets.

That said, the Memorandum does not close the door on opportunities to work with other neighbouring Councils and Council staff will continue to explore such arrangements on an ongoing and case by case basis.

The improved working relationship between neighbouring Councils that has resulted from the Royalties for Regions funds has been just one of the many benefits arising from this funding program, not the least of which has been the significant capital works undertaken across the State.

I remain firmly of the opinion that the Shire of Denmark remains a strong and vibrant local government and with Denmark's undisputed future prospects, there is no need or likely net benefit to the community by amalgamating with any of our near neighbours.

Staffing

The Shire workforce has been relatively stable over the past twelve months although we were disappointed to lose several members of staff, including Mr Sam Williams, the Director of Planning and Sustainability who left to pursue opportunities in the commercial sector. We look forward the new Director, Annette Harbron commencing employment on the 31st of January 2011 and continuing the strong progress made in the past twelve months in regards to the development of the Local Planning Strategy and other planning initiatives

I would like to thank all staff for the commitment they have displayed to their duties and I look forward to working with them all over the next twelve months to achieve the objectives of Council.

Customer Service Charter

The Shire takes great pride in the commitment displayed by our staff to providing the highest level of service possible to our community and in order to establish minimum customer service standards a Charter was adopted by Council to both enshrine these standards and allow our performance to be measured and analysed for future improvement.

2011 Shire of Denmark Customer Satisfaction and Community Needs Survey

The 2011 Biennial Survey is currently being prepared and is scheduled to be presented to the January 2011 Meeting of Council for adoption, prior to distributing to the 1000 randomly selected electors.

Council values the input of all electors and residents and I strongly encourage all those selected to take the time to complete the wide range of questions posed, as this information will guide the decisions made by Council over the next two year period.

An excellent response rate of 36.8% was received for the last Survey and a similar return this time would allow Council to have confidence in the statistical validity of the results achieved.

I would encourage all residents to read the results of the Survey/s which are available on the Shire website.

CBD Redevelopment

As a result of the significant funding increase arising from the State Government Royalties for Regions Scheme, the first stage of the Strickland St upgrade commenced during 2009/10. The much improved streetscape that has resulted from this project has already received much positive feedback and with further stages to be undertaken in coming years, the town centre will become a far more user friendly and pleasant environment.



(Paving crew at work on Strickland St Upgrade)

McLean Oval Clubroom Extension (Joe Burton Pavilion)

The upgrading of the McLean Park Clubrooms was a major highlight of the year, with the new facility now providing a suitable clubhouse venue for users of the McLean Park oval. This work was funded by the Shire of Denmark, the Department for Sport and Recreation and the Denmark Walpole Football Club and was completed for a total project cost of \$341,070.

A most pleasing aspect of this project was the large in-kind contribution provided by local sporting organisations, particularly members of the Football Club, which was able to significantly reduce the cash contribution of the Shire and Football Club.

In recognition of the contribution made by Mr Joe Burton to the Football Club over forty years, Council approved the Football Club request to name this facility the Joe Burton Pavilion, which was officially opened on 8 May 2010.

Denmark Country Club – Tennis Court Expansion

Four new tennis courts were constructed at the Denmark Country Club, bringing the total number to eight, which will allow for local tennis to attract new participants to the game and better cater for larger regional tournaments. I commend the fundraising effort of the Tennis Club, who was able to fund one third of the total construction cost of \$210,000 as a result of their own hard work and avoid having to borrowing funds for their contribution.

Denmark Airstrip Upgrade

A significant upgrade of the airstrip facilities was completed, using a combination of grant and loan funds, which resulted in the previous gravel strip being sealed and the development of leasehold hangar sites for local aviation enthusiasts.

Lease fees received from these hangar sites will be used to repay the loan, receiving the net cost to ratepayers of the Shire.



(Planes assembled for opening of sealed airstrip)

An official opening was held in February 2010, with members of the Sports Aircraft Association of Western Australia conducting a fly-in which attracted a large number of participants.

Peaceful Bay Footpath Network

As part of the ongoing upgrade of infrastructure within Peaceful Bay and in consultation with the Peaceful Bay Progress Association, approximately 950 metres of footpath were installed in and around the townsite to better improve access around the town. Total cost of these works was \$115,122, which was funded from the Royalties for Regions funding program.

Customer Service Benchmarking Project

Unbeknown to administrative staff, senior management recently signed up for a local government customer service benchmarking project which has involved a “mystery Customer, contacting the Shire and assessing the level of service received.

I am absolutely delighted to advise that the Shire of Denmark was ranked equal third in the State (and with three points out of 200 from being the top) out of the 21 local authorities who participated in the project. Further, Denmark produced the highest score (and subsequent benchmark) in two of the seven key measures being assessed.

This is an excellent result, especially given that the Shire of Denmark was one of the smaller participants in the project and was competing against far better resourced shires with larger numbers of customer service staff.

This result confirms the results from the 2008 Customer Survey which recorded a high level of satisfaction with all customer services provided by the Shire.

LG Focus – National Customer Service Award

In June this year, the staff of the Denmark Public Library received the LG Focus National Customer Service Award for improving operations or service delivery within the Organisation.



(Library staff with visiting authors – one of the many programs offered at the Library)

The Shire is very proud to have received this prestigious award and believes it provides due recognition for the excellent service offered at the Library. The three members of staff, Robyn Fairclough, Hazel Leslie and Emily McCloy really do go out of their way to help patrons of the library and the high usage of the library is a great reflection on the manner in which these three ladies do their job.

Electronic Purchasing System

In May/June 2010, the Shire of Denmark upgraded its method of purchase ordering from a fully paper-based system to an electronic system. The implementation of this system aimed to meet desired outcomes in budget reporting, improved project management and efficient payment authorisation:

BPay

In response to strong customer demand and due to staff being able to negotiate significantly improved rates, BPay options for payment of Shire rates has been introduced commencing the 2010/11 financial year. This service meant a lot of staff time being devoted to software and accounting process changes however this investment has already reaped benefits with BPay proving a popular payment method with ratepayers.

Electronic Records Management System

Early 2010 saw the installation and implementation of the long awaited Electronic Records System. The Shire of Denmark will now record all inward, outward and internal correspondence via the Synergy Records Module, which will allow for retrieval of such documents electronically, resulting in greater security of the documents and improve administration processes.

Congratulations needs to be given to all the staff, who have been very willing to learn what is quite a difficult module and incorporating it into their work schedule. There have been very few transition problems and this must be put down to the co-operation of the staff as a whole.

In closing I would like to reiterate my earlier comments and thank all Councillors, Staff and Electors of the Shire for their support, advice and guidance since joining the Shire and I look forward to the year ahead with great optimism and determination to make the Shire of Denmark an even better place to live and visit.



Mr Dale Stewart
Chief Executive Officer



Some highlights from 2009/10 –



Election 2009
The biennial Local Government Election was held on the 17 October 2009. We said goodbye to Cr Burke and Cr Plowman but welcomed new Councillors Philip Barnes & Dawn Pedro. Cr Ross Thornton was elected Shire President and sworn in by JP, Mr Ian Osborne.



Feast not Fire
Council hosted a thank you dinner on the 26 June 2010 to acknowledge and thank the Denmark Volunteer Fire Brigades for their services and in particular their assistance with the Shire's inaugural burn plan. The event was attended by the Shire President, Senior Staff, FESA CEO Jo Harrison-Ward and approximately 140 volunteers.

Australia Day 2010
The annual Australia Day breakfast outgrew expectations on the 26 January 2010 with a record 750 people in attendance. Councillors, & Council Staff provided, cooked and served breakfast for Denmark community members. Face painting, music, entertainment and the Shire President hosted a Naturalisation Ceremony for three new Australian Citizens.

Denmark Townsite Centenary

The 22 September 2011 marked 100 years since the gazettal of the townsite of Denmark. Shire President, Cr Kim Barrow with the assistance of the Denmark Historical Society's representative Mrs Bev McGuinness planted a commemorative tree was planted in Berridge Park.



2010 Skate & Scooter Comp

As part of National Youth Week the Denmark Youth Centre hosted the Denmark Youth Festival on the 10 April 2010. The event was a huge success with over twenty five competitors; both local and regional visitors enjoying the festivities of the day, the spray can art demonstrations, bouncy castle and the sumo wrestling suits.



2010 Denmark Youth Festival

As part of the Festival young people were invited to "get creative" as can be seen by the makeover given to the ablution block at McLean Park. The spray can art workshops were facilitated by Chad Marwick who engaged young people in the preparation, design, fill and shading aspects of the project.

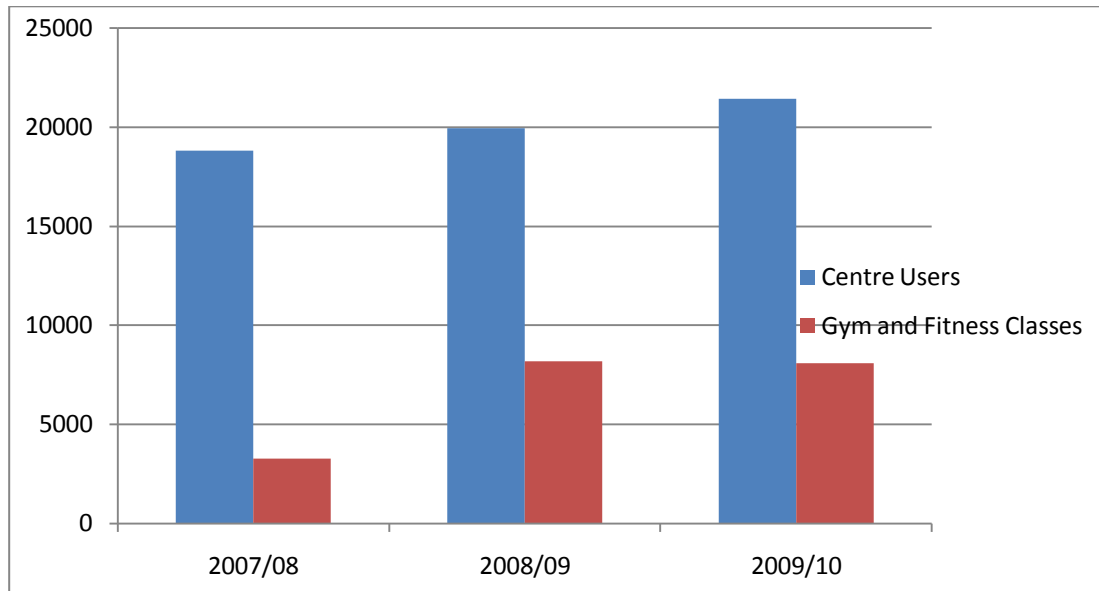
SUMMARY OF SHIRE SERVICES 2009/10



Denmark Recreation Centre

The Recreation Centre recorded growth of 5% in attendances for the year 2009/10, with total attendances increasing to 29,509 visitors. The main increase occurred in the Gym and Fitness Classes with 3,193 entries for the gym and 4,891 entries to fitness classes.

Fig 1 – Recreation Centre and Gymnasium Attendance



The Club Development Officer (CDO) initiative is a three year project, which expired in May 2010. Staff from the Department of Sport & Recreation visited from Perth to update on the future of the program, with the Shire of Plantagenet indicating they would be prepared to offer the position another 2 days work for their Shire, enabling the position to become a full time one. A grant application was submitted to the Department of Sport and Recreation, requesting the continuation of the CDO program for another three years at current contribution levels from the three participating Shires (Denmark, Cranbrook and Plantagenet). This application was successful and the new position commenced operation during August 2010, with Deborah de Jonge the newly appointed Officer, replacing Michael Gaffney.

A CSRFF Grant application was submitted to the Department of Sport & Recreation for the proposed Gym extension and new storage area at the rear of the Recreation Centre. The Centre was successful with this application and works started in January 2010 and were completed in June 2010.

Council commenced a Feasibility Study into the construction and operation of an Indoor Heated Aquatic Facility. The Project team recommended to Council the appointment of Coffey Commercial Advisory (CCA) as the preferred consultant to conduct the feasibility study into an indoor heated aquatic facility, with Council contributing \$20,000 towards the total cost of \$30,000, with the Department of Sport & Recreation funding the remaining \$10,000. The Study is still ongoing and it is anticipated that Council will consider the results of the Feasibility Study in early 2011.

Major Events for 2009/10 included;

The Denmark Netball Association organized and ran a successful carnival for the Great Southern region at the Recreation Centre and McLean Park on Sunday 9th August. Over 300 competitors and spectators attended the day.

On Sunday 11th October, the Mountain Design Adventure Race finished and they held the wind up function in the Centre. Over 250 people attended the evening.



(Recreation Centre patrons enjoying crèche activities)

The Centre received funding and organised a “Walk There Today” event. Participants meet at the Recreation Centre at 9am and Helen Powley, an accredited fitness instructor, guided the participants on a 4km walk providing valuable instructions on stretching, walking tall and correct footwear. There was a healthy morning tea provided for the participants at the conclusion of the walk back at the Centre. This event is part of the Department of Transport’s “Walk there Today” week.

The Shire of Denmark Sportsperson of the Year awards were held in partnership with the Citizen of the Year awards presented on Australia Day 2010. There was the added incentive for clubs to nominate with \$100.00 presented to the club who the winning nominee represents. A record number of nominations were received this year, thirteen (13) in total – thank you and well done to the sporting clubs and associations who took the time and nominated their valuable members.

2009 Winners were:

- Senior Sports person of the Year – Patrick McCarthy (Surfing)
- Junior Sports person of the Year – Michaela Ross (Surfing)
- Service to Sport Award – Laurel Payne (Golf)
- Club Winners – Denmark Surf Lifesaving Club and Denmark Country Club.

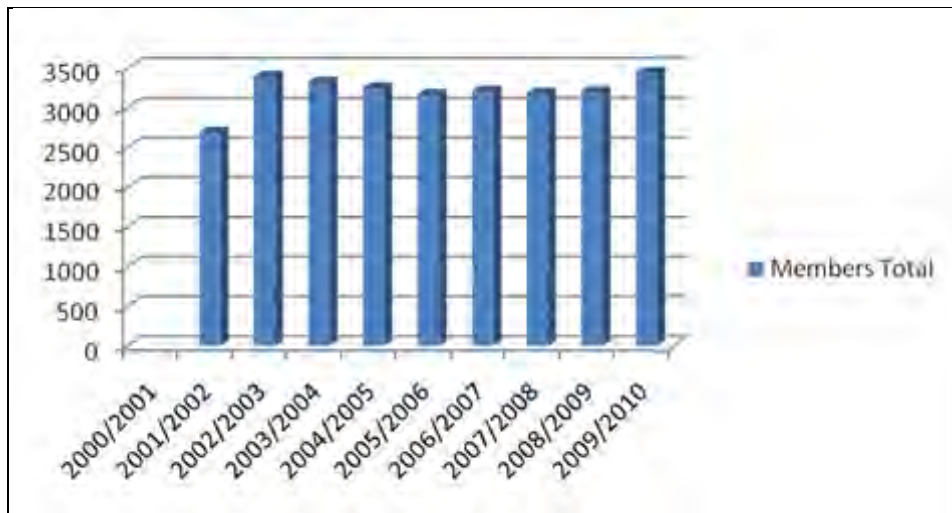
On the June long weekend the Centre was hired by the Denmark Festival of Voice. The weekend culminated with over 600 people attending the concert on Sunday evening.

Shire of Denmark Public Library

Staff of the Shire Library have again experienced a busy twelve months, with increased patronage and book issues reinforcing the continued importance and relevance of the Library to our community.

Our aim is to provide an environment where lifelong habits of learning, self-improvement and self-expression are encouraged and where patrons can meet their educational, informational and recreational needs.

FIG 2 – Total Library Members 2000/01 to 2009/10



This year we have worked very hard to improve the quality of our stock. We regularly delete old items and add new stock, which have been either purchased or donated to the Library. Our local stock numbers have increased considerably and we always keep our stock current and relevant.

This year has seen significant attention on the public and political profile of Public Libraries. The announcement of budgetary cuts to the State Library of WA and Libraries by the State Government met with considerable public outcry – the outcome of which resulted in a modest increase to funding over the coming years. The Shire believes that this valuable community resource is still underfunded, especially in the context of other rural libraries and will continue to lobby State Government to rectify this situation.

Senior Librarian, Mrs Robyn Fairclough attended a Seminar in Perth in April, which was held in response to the changes challenging the future of public libraries. The aim of this seminar was to discuss the future of Public Libraries in the current climate of the ever improving technology and social media trends.

The question asked was “Are Libraries still relevant?” It was agreed that libraries are still relevant and very popular spaces in the community but we will need to keep advancing our way of thinking to keep in touch with the needs of our communities.

Major activities and events for 2009/10 included;

One of the highlights for this year was when we hosted at the Civic Centre, the visit of Craig Silvey and Tania James. Craig Silvey is a young West Australian author whose popularity has soared since he has written his most recent book Jasper Jones and Tania James, from New Jersey was touring with her debut novel The Atlas of Unknowns. The response we received for this event was amazing. We had 70 people attend, all who

were very complimentary of the event. Both Craig and Tania were wonderful speakers and the event was a great thrill for us.

The *Premier's Summer Reading Challenge* is held during the summer school holidays. The challenge aims to encourage children to read and be passionate about books and stories. This year the theme for the Challenge was "Get Fired Up about Reading" – we set up a fun display with challenges for children to search for books and try some new reading material. As the Challenge was held statewide, the Library decided to further encourage the children of Denmark by offering a special incentive prize with a gift voucher from Tea House Books. So many children read an amazing amount of books and certainly got "Fired up about Reading". Our winner picked randomly for 2010 was Kai Logan, a Year 3 student at Denmark Primary School.



Library staff with visiting authors and winner of the Summer Reading Challenge Kai Logan

Rhymetime and Storytime are both very popular activities for young children in Denmark. These regular story times enhance pre literacy skills and build a love of books and reading in young children while providing the opportunity for parents and caregivers to learn about the importance of reading to children and to socialise.

The Toy Library has been a welcome addition to the Library, with many families enjoying using the toys and are very grateful it is now so accessible. Library Membership is essential for those wishing to use the Toy Library and parents are always encouraged to take books out for their children also.

During Children's Week in October, the A Smart Start committee hosted the third annual Spring Fair at the Recreation Centre. Activities included storytelling, promotion of Better Beginnings, A Smart Start and the Library and also provided an activity table for children to make masks. With some "preloved" books and information for the parents I made up packs which I gave to the children and was able to speak to the parents, encouraging them to bring their children to the Library.

The Denmark Youth Centre (Tha House)



The Denmark Youth Centre's "Tha House" was consistently open and provided a safe, drug and alcohol free space on every Friday and Saturday evenings from 4pm to 10pm except over the Christmas break. Attendance rates have fluctuated in synchronicity with the seasons, and have been similar to the previous year. Staff are encouraged by the new clientele visiting the centre, and changes to the ratios of males to females, with an increase in teenage girls attending, over one hundred and thirty different young people have visited the centre over the year, not including special events.

Over this period, the diverse and various school holidays programs have again proven popular and increased in number and types provided which have included Hip Hop writing and recording, spray can art workshops, mural design, silk screening, break dance workshops, regular healthy cooking workshops, spray can art workshops, Play Station 3 computer game competitions, pool table competitions and beading workshop. All programs were well attended, with over fifty (50) different youth accessing the centre during each of these holiday periods. These School holiday programs were funded by the Shire of Denmark, Department for Child Protection (DCP), the Department for Communities and Denmark Local Drug Action Group (DLDAG).

In addition to this, The Denmark Youth Centre took a bus of sixteen (16) young people to the Summer Skate Series Albany skate competition in January. They competed in the competition. In April, the youth centre took a group of young people to the State launch in Albany for National Youth Week, this again was well utilised, with a full bus participating in the activities and skate competition.

The Denmark Youth Centre hosted another Denmark Youth Fest in April to celebrate National Youth Week, unfortunately the event was hampered by poor weather, with the inflatable equipment being relocated to the Scout Hall. The weather did improve and the Regions first ever Scooter Competition, followed by the ever popular Skate Competition. There were approximately twenty five (25) entrants, some from Bunbury and Perth and over two hundred (200) spectators on the day. The McLean Park toilet block was given a vibrant new makeover from the young people and regular Spray Can artists. This has generated much interest, locally, regionally and on a state level, as this has resulted in a vandal and graffiti free space to date. This was sponsored by the Shire of Denmark, the National Youth Week grant with additional support from DLDAG.



The popular Skate and Scooter Competition at Denmark Skate Park

The Denmark Youth Centre was visited in April, by Department for Communities, Program and Funding Officer from Perth and the Development Officer for the Great Southern. The Program and funding Officer was involved in the original funding application for the new venue and was aware of the location as being potentially contentious. Both personal were extremely pleased to see how the centre was being supported and accessed by both the Shire of Denmark and the youth.

The Denmark Youth Centre, in partnership with the Recreation Centre has been fulfilling the remainder of the Youth Support Service grant with DCP, this reoccurring grant will be reapplied for to continue with the extremely successful Challenge camps and financial support with school holiday programs. The Youth Centre facilitates two (2) annual Challenge Camps for a total of twenty (20) Denmark High School students, held in Margaret River. These camps are an amazing opportunity for staff to develop rapport with potential youth leaders. Youth and staff participate in challenging activities, assist in developing leadership and support skills and provide support whilst participating in the abseiling, caving, white water rafting and orienteering activities. This is a joint project between the Shire of Denmark and the Denmark High School. At time of writing this report, the Shire of Denmark had secured this funding for an additional three year period beginning in the 2010/11 financial year.



Graffiti art prepared by local youths on old toilet block at McLean Park

An application by the Youth Centre to the Royalties for Regions Great Southern Regional Grants Scheme, for capital works, has received confirmation of attaining \$25,000. The application requested approximately \$100,000 for the \$200,000 project, with the Shire meeting a large component of “In Kind costs”. The successful amount is conditional on attaining the remaining total to complete the project. The project includes lighting of the skate park, landscaping the remainder of the Youth space surrounding the youth centre, building a BMX track and “Mini ring” Basketball Court, with bleacher type seating.

A music performance night was organised at Tha House in June, with the Certificate 2 and 4 students from Great Southern Institute of Technology (Denmark) Music course performing a variety of styles of music to the youth of Denmark. This was extremely well received by the young people and encouraging to see other community members and families attending to support these amazing artists. There were approximately ten (10) performers and in addition they displayed versatility in each of them playing all of the different instruments over the evening.

Natural Resource Management

The Natural Resource Management (NRM) Office acts as liaison and Shire representative with other government agencies and community groups and responds to public enquiries as required. The NRM Office also provides advice and support to inter-departmental staff on issues pertaining to natural resource management within the Shire such as fire management and planning matters.

Coastal Management

A number of coastal reserve improvements have been implemented by the NRM office. These include:

- coastal access track and car park improvements at Black Hole and Lions Lookout
- a viewing platform at Sinkers Bay
- a new parking area and establishment of informal day use area at Parry Inlet
- toilet block ablutions upgrade and outside shower improvements at Ocean Beach
- new coastal safety signage
- ongoing photo-monitoring of coastal reserves

The Shire also received grant funding from WAPC to update and review the Shire of Denmark Coastal Management Plan. The NRM Office also helped in the development and subsequent facilitation of the launch of the Southern Shores 2009-2030 document, and as part of the South Coast Management Group were recipients of the Coastal Award.



School Tree Planting Day and NRM Officer, Helen Heydenrych conducting community forum on new Coastal Management Plan

Climate Change Action

The Shire of Denmark has been working on a Greenhouse Gas Emissions (GGE) Inventory for the 2008-09 financial year, with a view to conducting a comparative analysis against the GGE inventory that was conducted by the Shire for the 2007-08 year. The NRM Office has been pivotal in facilitating the Shire of Denmark's involvement in the Greensense Reporting and Abatement Platform.

Biodiversity Management – Flora and Fauna, Weeds and Dieback

Some weed control and dieback management projects undertaken by the NRM Office in 2009-10 include:

- Installation of dieback signage, markers and boot-cleaning stations in Shire peri-urban bushland Reserves, and installation of limestone path along at risk sections of the Bibbulmun track

- Facilitation of weed eradication and control activities with the not-for-profit organisation Denmark Weed Action Group (DWAG) - commensurate with implementation of recommendations within the *Shire of Denmark Weed Strategy and Action Plan (2005-2010)* within Shire peri-urban bushland Reserves
- Follow-up weed eradication activities at Nornalup and targeting of Dolichos pea (*Dipogon lignosus*) near Campbell Rd
- Facilitation of weed-spraying activities on road verges
- Initial development of weed species identification file

Revegetation Activities

Shire of Denmark NRM revegetation projects in 2009-10 include:

- National Tree Day with Denmark Highschool
- Revegetation and fencing of waterways on private properties within the Wilson Inlet catchment with the Wilson Inlet Catchment Committee (WICC).
- Wilson Inlet Foreshore Reserves – installation of trees and picnic tables at Rivermouth

Environmental Education and Community Projects

The NRM office continues to have an active engagement and education program with the broader community. Environmental education and community projects that the Shire NRM Office supported include:

- Conduction of three environmental education workshops and development of associated brochures in collaboration with the Denmark Environment Centre. Shire information sheets developed on Native Plants and Invasive Weed Species and Shire Services regarding Native and Domestic Animals.
- The Shire provided continued support to not-for-profit organisation Green Skills and Centre for Sustainable Living on a number of community projects. These included the development of a sustainable garden at the Denmark High School, the launch of the migratory shorebirds photographic exhibition, conduction of a Gondwanalink seminar, local walk trails upgrades, a Denmark Futures Forum: Moving Forward Together, and an Energy and Water EXPO.

Heritage

The Shire of Denmark NRM Office have been integral in assisting in the development of the Denmark River Heritage Management Plan – assisting with development of consultant project brief, assessment of quotations, and providing comments on the draft plan.

The NRM Officers are mindful of indigenous heritage values and ensure that appropriate consultation is undertaken on all NRM related projects.

Fire Management

Prevention

The Community Fire Manager completed work on mapping the Strategic Fire Access Routes (SFAR's) within the Shire. Approximately 150 km of SFAR and 42 ha of open area (for slashing) were identified.

Maintenance work was performed on much of the SFAR network to good effect in the lead up to the 2008/09 fire season. Heavy maintenance was performed on approximately 7 km, light maintenance was performed on approximately 80 km and 30 hectares of slashing was completed.

Preparedness

The following courses were offered this year with over one hundred volunteers participating

- Intro to Bush Fire Fighting.
- Senior First Aid.
- WAERN Radio Operation.
- Water Bomber Re-loader procedures.
- Fire Control Officers.
- Dieback Hygiene workshop
- AIIMS (Australian Inter Agency Incident Management Systems)

A Control Burn Program was initiated on Council's reserves and seven out of the ten scheduled burns were completed.

The following reserves were burnt:

The burns were subject to Natural Resource Management staff pre and post burn assessments and brigade turn outs for the burns were excellent with up to 55 volunteers turning out for each burn.

The Feast not Fire Night was reinaugurated and was an outstanding success being attended by 140 people volunteer fire fighter and their spouses and Jo Harrison- Ward the CEO of FESA, Merv Austic FESA's Manager of Stake Holder Relations and Grant Olsen FESA's Regional Director Great Southern.

FESA and Council demonstrated a commitment to volunteer fire fighter safety with Personal Protective Equipment (PPE) to the value of almost \$10,000 being issued by the Community Fire Manager to Bush Fire Brigades within the Shire.

The Shire Fleet Replacement Program funded by the Emergency Services Levy replaced the following appliances;

- Peaceful Bay LandCruiser V8 Light Tanker
- SES LandCruiser V8 Personnel Carrier
- Ocean Beach 2.4 Refurb
- Harewood LandCruiser Light Tanker Refurb
- Kordabup LandCruiser Light Tanker Refurb

Response:

Council's volunteer bushfire brigades responded to over 28 (see note) fires during the 2009-2010. All of these fires were handled at a local level with incident control being handled by either local Fire Control Officers or the Community Fire Manager.



Shire of Denmark Volunteer Firefighters in action

Emergency Management

The Local Emergency Management Committee (LEMC) has continued to be active and has met on four occasions over the last 12 months and with the oversight of the Committee Directorate of Community and Regulatory Services staff together with the Denmark, Walpole and Nornalup emergency service volunteers have achieved the following outcomes:

- With funding obtained through the AWARE Program a review Council's Emergency Management Risk Profiling has been commenced and as part of this process a community survey was conducted on risk perceptions in the Denmark community. Out of 200 surveys distributed by mail 93 were returned which equates to a 47% response rate.
- A draft Evacuation Plan has been completed along with compilation of an extensive resource log and the emergency management section of Council's website has been updated.
- Work with the Denmark and Great Southern Police Superintendent on the Green Bag Evacuation Initiative.
- Intro to Recovery Management training was run in Denmark.
- Peaceful Bay Sea Rescue NIAD Sea Rescue Boat.
- ABC 630am Local Radio Emergency Services Breakfast.
- "Exercise Wildfire" which was a desktop intra agency major fire response exercise attended by over 40 people.
- Development and implementation of the "One Step Ahead" incident response co-ordination program using Council's rates data base. The initiative was a semi finalist in the "Department of Local Government Best Practice Award".

Engineering

The Shire works crew, which comprises road works, parks and gardens and refuse workers were again busy in ensuring these vital services continued to meet the expectations of local residents, under the direction of the Director of Infrastructure Services, Mr Rob Whooley, the following major projects were completed;

- Scotsdale Rd – Shoulder widening and seal \$515,121
- Ficifolia Rd – gravel resheeting \$272,938
- Station Rd – gravel resheeting \$57,274
- Ocean Beach Rd/Lights Rd – intersection upgrade \$80,948
- CBD Redevelopment – Strickland St upgrade \$421,551
- Drainage improvements – various roads \$91,849
- Ocean Beach Rd footpath – complete path \$111,994

Town Planning

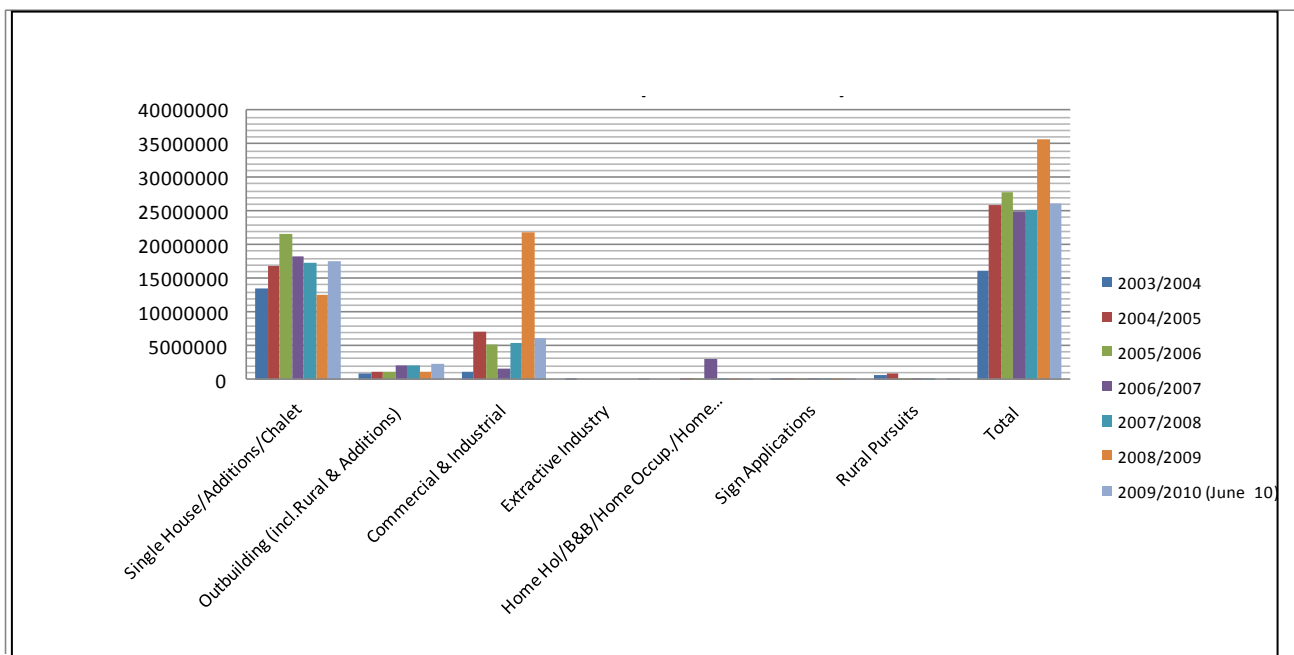
The Planning Section dealt with a total of 263 planning consent applications during the 2009/10 financial year, which represents a significant increase in the number of approvals issued (209 in 2008/09), although it is noted the total value of this work was significantly less.

Town Planning Statistics Summary 2009/10

| | No of Licenses issued 2009/10 | Total value of applications |
|-----------------------------------|-------------------------------|-----------------------------|
| Single houses and group dwellings | 121 | \$18,004,036 |
| Outbuildings | 86 | \$2,238,436 |
| Commercial/Industrial) | 14 | \$6,137,853 |
| Extractive Industries | 3 | \$150,000 |
| Home holiday | 20 | \$10,000 |
| Signs | 14 | \$9,030 |
| Rural Pursuits | 5 | \$63,500 |
| TOTAL | 263 | \$26,612,855 |

The total value for development applications for 2009/10 was \$26,612,855, a significant decrease on the 2008/09 year, where the total value of approved applications was \$35,668,639.

FIG 4 – Planning Approvals 2003/04 to 2009/10



Building Services

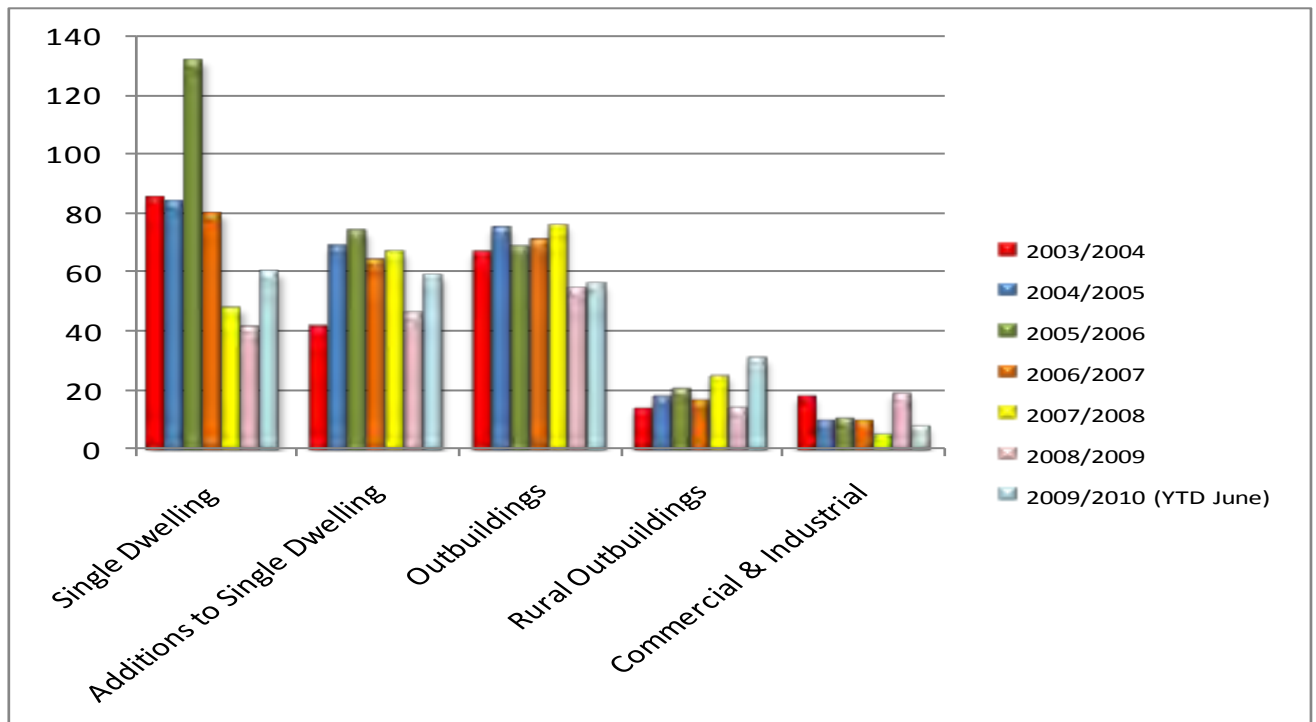
The following summary shows total building developments approved within the Shire for the 2009/10 year, with a comparison of previous years for information purposes;

Building Statistics Summary 2009/10

| | No of Lics issued 2009/10 | Total Value of Approved Work |
|---|---------------------------|------------------------------|
| Single Houses (Incl. Chalets & Relocated Dwellings) | 60 | \$12,813,436 |
| Additions to Single Houses (Incl. Carports) | 59 | \$2,877,636 |
| Outbuildings (Not Rural) | 56 | \$765,547 |
| Rural Outbuildings | 31 | \$695,921 |
| Commercial & Industrial | 8 | \$421,900 |
| Other (Swimming Pool Etc.) | 0 | |
| Public Buildings | 0 | |
| TOTAL | 214 | \$17,754,440 |

The above developments represent a total investment value of \$17,754,440, an increase of \$2,331,533 from the 2008/098 financial year (\$15,422,907).

FIG 5 – Building Approvals 2003/04 to 2009/10



Law and Order

Ranger’s activity for the 2009/10 year was as follows, with a comparison of previous years for information purposes;

Summary of Infringements Issued

| | 2009/10 | 2008/09 | 2007/08 | | 2009/10 | 2008/09 | 2007/08 |
|-------------------------|---------|---------|---------|----------------------------------|---------|---------|---------|
| Dog Control | | | | Reserves & Foreshores | | | |
| • Dogs Impounded | 45 | 53 | 36 | • Camping Infringements | 1 | 4 | 4 |
| • Cautions | 20 | 73 | 108 | • Camping Cautions | 48 | 22 | 22 |
| • Verbal Warning | 196 | 239 | 204 | • Off Road Vehicle Warnings | 6 | 44 | 44 |
| • Infringements (Fines) | 11 | 9 | 12 | • Kangaroo Removal | 49 | | |
| | | | | • Roaming Livestock | 99 | | |
| Bushfire Control | | | | • Snake Removal | 37 | | |
| • Infringement | 1 | 0 | 6 | Parking | | | |
| • Cautions | 0 | 0 | 144 | • Infringements | 5 | 7 | 6 |
| • Verbal Warnings | 31 | 38 | 312 | • Cautions | 100 | 140 | 200 |
| • Fire Report | 6 | | | • Verbal Warnings | 302 | 248 | 434 |
| Litter Control | | | | | | | |
| • Infringements | 0 | 0 | Nil | | | | |
| • Verbal Warnings | 0 | 13 | 2 | | | | |

Public Health

The following major activities were undertaken by Health staff during the course of 2009/10;

- Between May 2009 – August 2010 the role of the Principal Environmental Health Officer was undertaken by the Director of Community and Regulatory Services with the limited assistance of part time staff who engaged to perform premises inspections. This represents a substantive effort on the part of the Director as the last Health Department of Western Australia audit recommended two Environmental Health officers for the Shire of Denmark and Council in the past has sought to maintain that level.
- An extensively experienced Environmental Health Technical Officer was recruited from South Africa and commenced.
- 40 septic tank approvals were issued
- 20 formal complaints were responded to

- 111 food premises are currently registered and the majority premises were inspected.
- Two illegal slaughter investigations
- Upgrades were performed on the Peaceful Bay water supply including the installation of a scour valve in First Avenue, regular scouring of the supply and the installation of hydrants.
- An Economic Regulatory Authority Audit of the Peaceful Bay water supply and the customer service charter was under taken.
- A chemical dump point was installed at the Peaceful Bay toilets
- Ongoing caravan park redevelopment at Ocean Beach
- A 110,000 litre 40,000 gallon water was installed at the airport

STATUTORY REPORTING MATTERS

(As prescribed by legislation)

Overview of Plan for the Future

(Local Government Act 1995 Section 5.51 (2) (e))

Section 5.56 of the Local Government Act 1995 requires a Local Government to plan for the future of the district. This requirement replaces the previous Principal Activities Plan.

The Local Government Act states the following in respect to the requirement for Local Governments to prepare a Plan for the Future.

A local government is to make a plan for the future of its district in respect of the period specified in the plan (being at least 2 financial years).

A plan for the future of a district is to set out the broad objectives of the local government for the period specified in the plan.

A local government is to review its current plan for the future of its district every 2 years and may modify the plan, including extending the period the plan is made in respect of.

A Council is to consider a plan, or modifications, submitted to it and is to determine* whether or not to adopt the plan, or the modifications, as is relevant.

**Absolute majority required.*

If a plan, or modified plan, is adopted by the Council then the plan or modified plan is to apply to the district for the period of time specified in the plan.

A local government is to ensure that the electors and ratepayers of its district are consulted during the development of a plan for the future of the district, and when preparing any modifications of a plan.

A plan for the future of a district is to contain a description of the involvement by the electors and ratepayers in the development of the plan, and any modifications of the plan.

A local government is to ensure that a plan for the future made in accordance with this regulation applies in respect of each financial year after the financial year ending 30 June 2006.

Although the statutory requirement is for a two year plan, the Shire of Denmark adopted a four year plan in 2007 to cover the period 2007 to 2011. In adopting this Plan, Council undertook a series of community meetings which were held at the Tingle Dale Hall, Harewood Brigade Fire Shed and in the Council Chambers. Matters raised at these meetings were predominantly road maintenance and construction issues, footpaths in the urban areas and planning and development issues.

Whilst the Act does not give any direction on what form the Plan for the Future should take, or what information should be included, Council has taken the approach that the Plan should include information, at least by reference, on various areas of Council responsibility, in addition to specific financial information on major expenditure items.

The Plan is required to be reviewed every two years, with Council Staff currently preparing a major review of the existing Plan to include a Ten Year Financial Plan and a Forward Capital Works Plan to both comply with Royalties for Regions funding

requirements, to provide long term financial stability to the finances of the Council and to allow for a strategic approach to setting the Annual Municipal Budget.

Shire of Denmark Plan for the Future 2007-2011

The existing Plan for the Future has been developed in three sections as follows;

Strategic Planning Documents

All Management Plans, Strategies and Policies adopted over the years, are included by reference.

Major Capital Expenditure Items

The main focus is proposed to be on the upgrading and maintenance of the road network.

Potential Projects

As part of Council's forward planning process, a number of possible future projects are discussed. Whilst these projects are not at the stage of being scheduled, they are commented on in the Plan.

Some of the major projects contained within the Plan that were to be undertaken during the course of 2009/10 were as follows;

- | | |
|--|-------------------|
| • Valley of the Giants Road Reconstruction | Completed |
| • Scotsdale rd Widening and Reconstruction | Completed |
| • CBD Traffic Management Improvements | Completed |
| • Lights Rd Traffic Management/Intersection Improvements | Completed |
| • Ocean Beach Rd Dual Use Path | Completed |
| • Purchase of new Loader | Completed |
| • Development of Community Park | Commenced 2009/10 |

Local Laws

During the reporting year Council did not adopt any new local laws.

Public Interest Disclosure Act 2003

In accordance with this legislation, procedures have been implemented to facilitate reporting and action on public interest disclosures.

During the 2009/10 reporting period no public interest disclosures were lodged.

Responsible Officer *Mr Garry Bird; Director of Finance and Administration*

Disability Access and Inclusion Plan 2007 to 2011

The Shire of Denmark has adopted its Disability Access and Inclusion Plan to ensure that people with disabilities can access as many facilities, functions and services within the municipality as reasonably practical. Access encompasses not only physical access but also incorporates changing community attitudes that may present barriers to the full inclusion of ALL people in the community.

During the financial year Council completed a major upgrade of public ablutions within the Shire which included improved disabled access and facilities. The Strickland St upgrade also resulted in significant improvements for disabled access around the CBD shopping area, including disabled carparking facilities.

The Director of Community & Regulatory Services successfully applied for a \$15,000 dollar “You’re Welcome Grant” which be used to assess accommodation in the Denmark area and record details on the You’re Welcome website, www.accesswa.com.au.

Recordkeeping Plans

During 2004 Council adopted a recordkeeping plan in accordance with the State Records Act 2000. This Plan was comprehensively reviewed during 2009/10 as a result of the introduction of the Electronic Records management System (EMRS).

As a consequence Council has adopted a series of policies and procedures that will ensure that council records are captured, stored and retained in accordance with the State Records Act.

Staff have undergone extensive training in the new EMRS to ensure that all appropriate records are captured and retained and that a system is in place to allow the records to be retrieved. The induction manual for all staff also includes directions on recordkeeping requirements, roles and responsibilities.

Freedom of Information Requests

During the 2009/10 year, Council received one request, with the information being provided to the applicant in full.

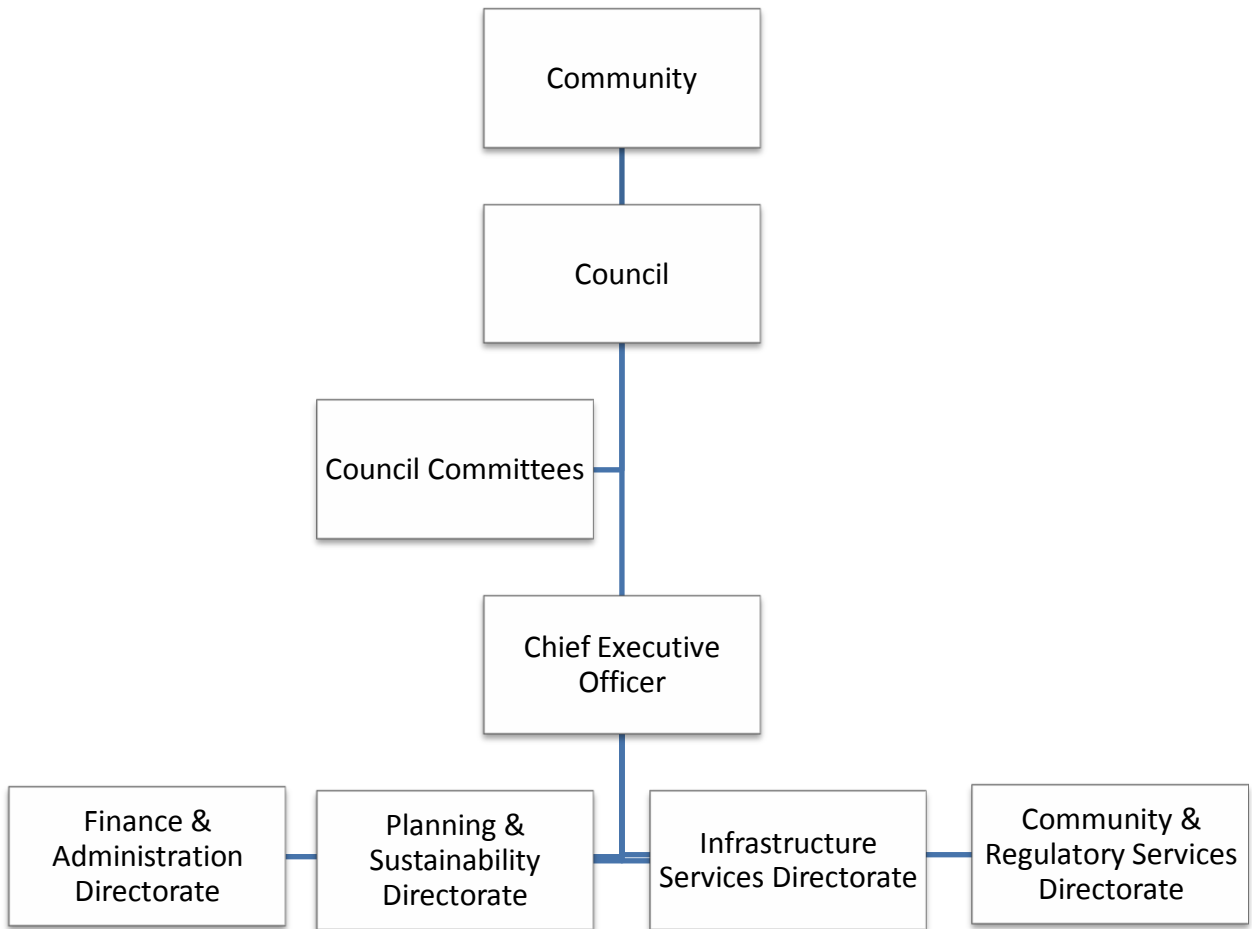
Responsible Officer *Mr Garry Bird; Director of Finance and Administration*

Complaints Lodged Under Provisions of Local Government Act 1995

The Local Government Act was amended during 2007/08, providing for a new complaints system for breaches of the Act by Councillors and Staff. One complaint was received during 2009/10, a complaint subsequently dismissed by the Local Government Standards Panel.

Responsible Officer *Mr Garry Bird; Director of Finance and Administration*

SHIRE OF DENMARK ORGANISATION CHART



Approved by Council July 2010

INDEPENDENT AUDIT REPORT

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Denmark, which comprises the balance sheet as at 30 June 2010, and the income statements, statement of changes in equity, cash flow statement, rate setting statement and the notes to and forming part of the financial report for the year ended on that date.

Councils' Responsibility for the Financial Report

The council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), The Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

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

- a) giving a true and fair view of the Shire of Denmark's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).


Statutory Compliance

We did not during the course of our audit become aware of any instances where the Council did not comply with the requirements of the Local Government (Financial Management) Regulations 1996 (as amended).

Other Matters

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

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



Russell Harrison, Partner

Lincolns Accountants & Business Advisers

70-74 Frederick Street, Albany WA 6330

2009/10 ANNUAL FINANCIAL REPORT EXECUTIVE SUMMARY

The following is a summary of the financial position of the Shire of Denmark as at 30 June 2010. It is designed to present the financial information contained within the Annual Financial Report in an easy to understand format for the benefit of Electors of the Shire.

Overall Financial Position

The Shire of Denmark's financial performance in 2009/10 saw an improved net operating result, than the previous financial year, due to the careful management of operating costs and a change in depreciation rates reducing operating expenditure.

The Council has strong financial reserves and a relatively low loan borrowing position, all good indicators of our capacity to fund future projects.

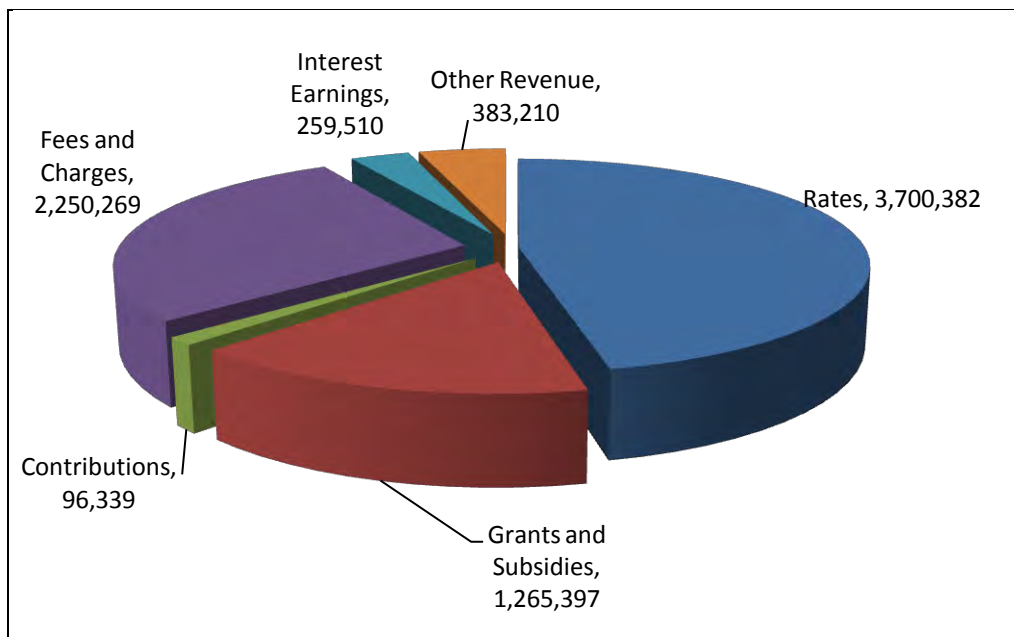
The biggest financial concern for the Shire is our need to carefully manage expenditure, particularly salaries and wages costs as our single biggest expenditure item, and ensure they do not reach levels where annual increases (CPI increases, new positions etc) do not exceed additional income to be received by Council.

Total municipal cash held by the Shire decreased by \$864,463 as a result of the large amount of unspent grant monies held 30 June 2009 having been expended in the 2009/10 year.

Summary of Income and Expenditure

The following graphs are designed to illustrate where the main sources of revenue for the Shire are derived from and where it is spent.

Fig 1 - 2009/10 Operating Income by Nature and Type (\$)



Rates

Rates paid by property owners is the single largest income stream available to the Shire.

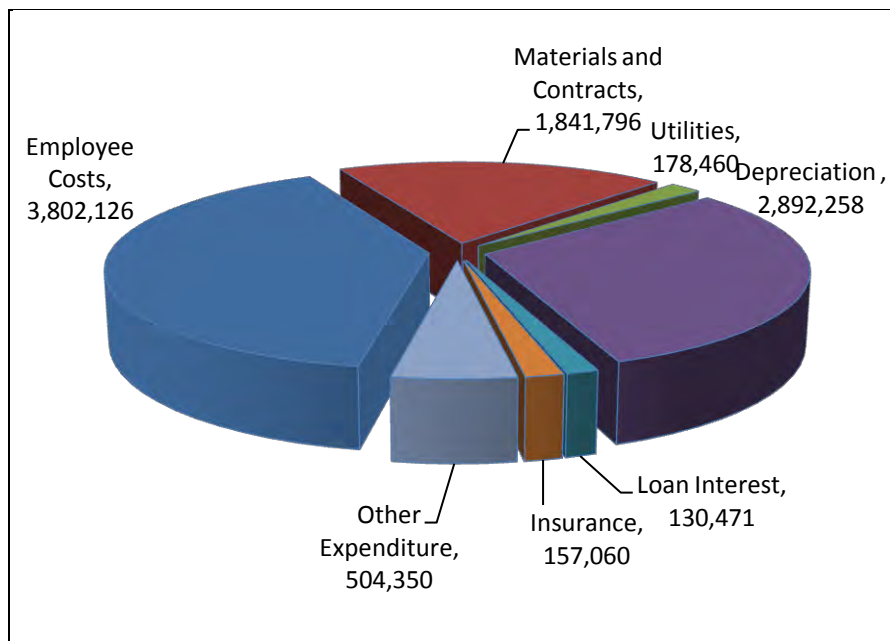
The number of properties that comprised the rates base of the Shire increased by 20 properties which represents a significant decrease in growth than recent years, which is perhaps a reflection of decreased economic activity during the global financial crisis. If this was to continue for the medium to long term it would be of concern as this property growth allows the rates burden to be borne by an increased number of owners and reduces the pressure on Council to increase rates on existing owners when determining the annual budget.

The average rates, excluding all service charges, paid by the owner of a four bedroom and two bathroom residence was \$908.41, up from \$856.99 in the previous year.

Table 1 – Summary of Rates Base History for Shire of Denmark Total Asset Expenditure

| | No of Rateable Properties | Total Rates Levied | Ave Residential Rate (A2077) |
|----------------|---------------------------|--------------------|------------------------------|
| 2009/10 | 3,656 | \$3,700,382 | \$908.41 |
| 2008/09 | 3,636 | \$3,404,550 | \$856.99 |
| 2007/08 | 3,496 | \$3,241,758 | \$820.10 |
| 2006/07 | 3,387 | \$3,037,249 | \$784.78 |

Fig 2 - 2009/10 Operating Expenditure by Nature and Type (\$)



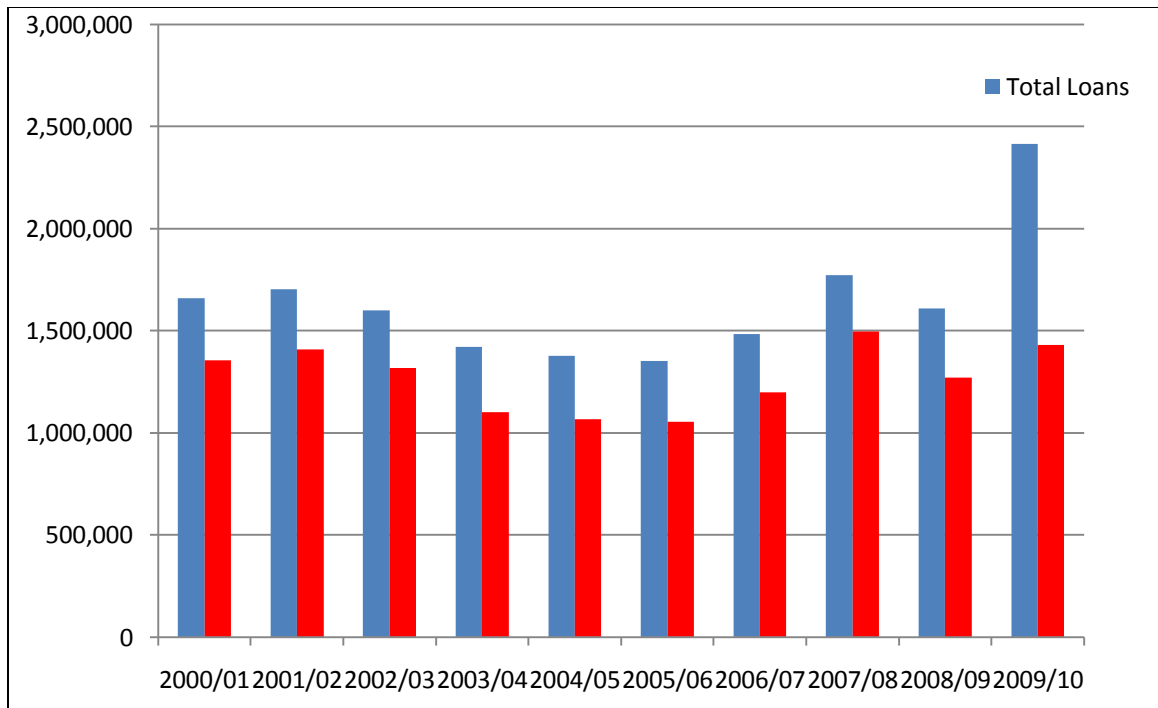
Loans

One new loan was undertaken by Council during 2009/10 to assist the Denmark Bowling Club Inc complete the redevelopment of the bowling greens, for which the funds will be repaid at the interest rate of 5.15% over the next ten years.

After principal repayments were made on existing loans and taking into account the new loans, Councils total debt position was \$1,610,619.

A summary of total debt outstanding for the past ten years is as follows;

Fig 3 – Summary of Total Debt Outstanding (\$)

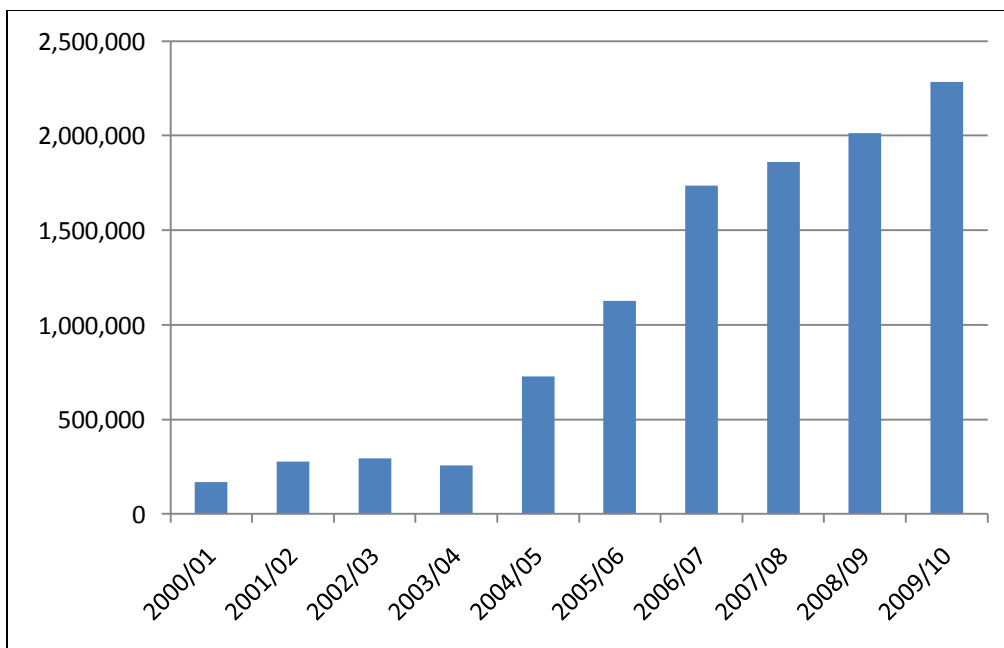


Reserves

The Shire of Denmark increased total cash backed Reserve Funds held by \$272,007. This increase is important as it is the view of Council and Staff that some of these Reserve Funds, namely the Plant Replacement and Waste Management Reserves, are underfunded to finance future expenditures. A strategy to address this situation is to be implemented with the preparation and adoption of a Ten Year Financial Plan for the Shire.

A summary of Reserve Fund balances for the past ten years is as follows;

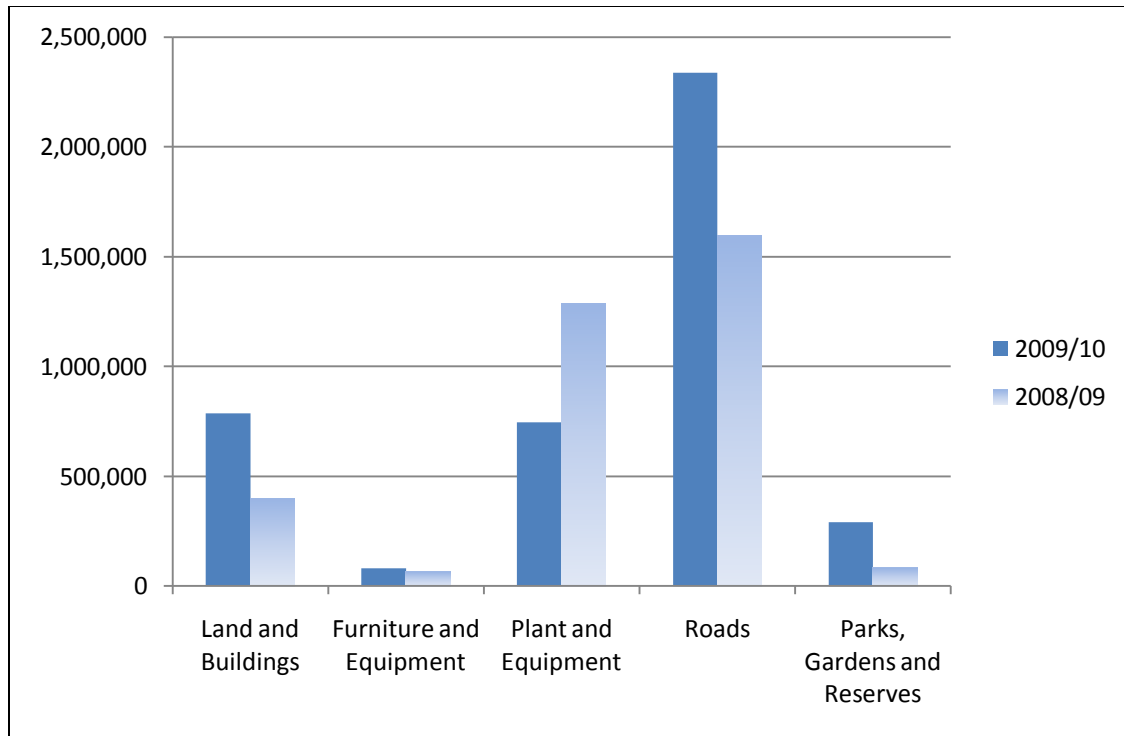
Fig 4 – Summary of Total Reserve Funds (\$)



Capital Expenditure

Expenditure on capital works and purchases for the 2009/10 year is as follows for the individual classes of assets, with a comparison for the previous financial year for information purposes;

Fig 5 – Summary of Total Asset Expenditure (\$)



Key Financial Indicators (Financial Ratio's)

The Local Government act provides for the following Financial Ratios to be prepared in the Annual Financial Statement for each financial year. These represent key financial indicators for Council with benchmark levels set for the Local Government sector as a whole. An analysis of Council's performance in this regard is provided as follows;

Table 2 – Summary of Total Asset Expenditure (\$)

| Financial Ratio's | 2009-2010 | 2008-2009 | 2007-2008 | 2006/2007 | 2005/2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Current Ratio | 69% | 205% | 221% | 191% | 216% |
| Untied Cash to Trade Creditors | 2% | 49% | 72% | 131% | 79% |
| Debt Ratio | 7% | 5% | 6% | 6% | 5% |
| Debt Service Ratio | 5% | 5% | 4% | 5% | 5% |
| Gross Debt to Revenue Ratio | 30% | 21% | 27% | 22% | 21% |
| Gross Debt to Economically Realisable Assets Ratio | 2% | 1% | 10% | 9% | 9% |
| Rate Coverage Ratio | 49% | 47% | 51% | 44% | 44% |
| Outstanding Rates Ratio | 4% | 4% | 4% | 4% | 3% |

Current Ratio

The Current Ratio is a measure of short term liquidity, which is the ability of the Council to meet its liabilities as and when they fall due and payable. It is considered to be a useful indicator of the true financial position of the Council, particularly for the short term (12 month period).

As a general rule, when the Current Ratio of a Council is calculated at less than 100%, it indicates a short term funding issue, although such an assessment needs to be made in the context of the overall financial position of the Council.

In previous years, the Shire of Denmark has been able to maintain this ratio in excess of the 100% benchmark, due to carrying a large dollar value of unspent grants. As many of these grant funded projects were completed during 2009/10, the ratio has fallen below 100%.

Untied Cash to Trade Creditors

This ratio provides an indication of the ability of Council to pay trade creditors in accordance with normal trading terms and conditions, using unrestricted funds of the Council. A ratio of less than 100% indicates a Council has insufficient cash to pay its trade creditors.

The Shire of Denmark Untied Cash to Trade Creditors Ratio was 2% which reflects a shortage of cash at year end to pay all outstanding creditors. This is not an unusual situation in Local Government, with many Council's experiencing cash flow shortages at the end of the financial period and are dependent on the next years rates income to pay these outstanding debts.

Debt Ratio

The Debt Ratio measures the Council's liabilities as a percentage of its total assets. Generally the lower percentage, the greater the capacity of Council to borrow against these assets. Due to Council having to value the infrastructure assets of the Council (which have no realisable value on the open market) this ratio is considered to be irrelevant to the operations of Local Government, despite being required by legislation. The Gross Debt to Economically Realisable Assets Ratio is a far more accurate guide for the Council and general public to use.

Debt Service Ratio

This ratio represents Council's ability to service debt out of uncommitted and available general purpose funds. It is generally accepted that debt management for Council becomes an issue when the ratio exceeds 10%, although it can be considered satisfactory up to 15%, provided total rate revenue is a considerable portion of available operating revenue or there is a large component of self supporting loans.

Both of these situations are relevant to the Shire of Denmark, which has a ratio of 5% which implies that Council has some borrowing capacity available in future budgets.

Gross Debt to Revenue Ratio

This ratio measures Council's ability to meet gross debt obligations with revenue to be received in any given year. Again, the lower the percentage the better although it should be remembered that most of Council's debt is over a long term period and as such this ratio illustrates the ability of the Council to meet its future obligations.

The ratio needs to be taken in the context of the time frame for repayment of all loans and it is the view of senior staff that this ratio is acceptable for the Shire of Denmark.

Gross Debt to Economically Realisable Assets Ratio

This newly introduced ratio relates actual borrowings to tangible assets of the Council, or the value of assets that would need to be disposed of to meet debt obligations in the event such action was required.

The ratio also quantifies a Council's reliance on borrowings to fund new projects and provides a reliable indication of capacity in this regard.

The lower the ratio, the better placed a Council is to meet such obligations. As a guide a ratio of 30% is considered to be a strong position, with the Shire of Denmark placed well below this benchmark level (ratio currently 2%).

Rate Coverage Ratio

The rates coverage ratio measures a Council's dependence on rates revenue to fund operations. The higher the ratio, the higher the dependency on rates income and the lower the reliance on other external funding sources such as government grants. Councils with a high rate coverage ratio are better equipped to meet unforeseen circumstances and have greater flexibility when determining municipal budgets.

The challenge every local authority faces is how to improve this ratio when in general government grants and other major income sources are reducing.

Outstanding Rates Ratio

The Outstanding Rates Ratio assists in determining the effectiveness of Council's rate collection policies and procedures. It is recommended that this ratio be below 5%, which the Shire of Denmark has been able to achieve.

Summary

Although there are financial challenges ahead for the Shire of Denmark, particularly to provide for the long term replacement of Council's infrastructure (roads, footpaths etc) and the management of operating costs, the Shire is generally well placed to meet these challenges due to the expected continued population growth and relatively sound financial position of the Shire.

The Annual Financial Statement is a complex document and I would welcome any comment or questions from ratepayers and residents regarding any of the information contained therein or on the general financial management of the Shire.

APPENDIX A

2009/10

ANNUAL FINANCIAL REPORT

SHIRE OF DENMARK
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

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SHIRE OF DENMARK

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Denmark being the annual financial report and other information for the financial year ended 30th June 2010 are in my opinion properly drawn up to present fairly the financial position of the Shire of Denmark at 30th June 2010 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 regulations under that Act.

Signed on the 2nd day of December 2010



Dale Stewart
Chief Executive Officer

SHIRE OF DENMARK
STATEMENT OF COMPEREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2010

| | NOTE | 2010 \$ | 2010 Budget \$ | 2009 \$ |
|---|------|--------------------|----------------------|---------------------|
| REVENUE | | | | |
| Rates | 22 | 3,700,382 | 3,633,918 | 3,404,550 |
| Operating Grants and Subsidies | 28 | 1,265,397 | 1,242,178 | 1,713,499 |
| Contributions, Reimbursements & Donations | | 96,339 | 219,313 | 284,432 |
| Fees and Charges | 27 | 2,250,269 | 1,682,398 | 1,590,780 |
| Service Charges | 24 | 0 | 0 | 0 |
| Interest Earnings | 2(a) | 259,510 | 214,666 | 315,078 |
| Other Revenue | | 383,210 | 325,361 | 281,093 |
| | | <u>7,955,107</u> | <u>7,317,834</u> | <u>7,589,432</u> |
| EXPENSES | | | | |
| Employee Costs | | (3,802,126) | (3,646,853) | (3,594,544) |
| Materials and Contracts | | (1,841,796) | (1,754,754) | (1,857,345) |
| Utility Charges | | (178,460) | (139,485) | (140,580) |
| Depreciation on Non-Current Assets | 2(a) | (2,892,258) | (2,890,428) | (4,737,636) |
| Interest Expenses | 2(a) | (130,471) | (145,296) | (118,136) |
| Insurance Expenses | | (157,060) | (149,274) | (137,853) |
| Other Expenditure | | (504,350) | (591,510) | (493,143) |
| | | <u>(9,506,521)</u> | <u>(9,317,600)</u> | <u>(11,079,237)</u> |
| | | (1,551,414) | (1,999,766) | (3,489,806) |
| Non-Operating Grants, Subsidies and Contributions | 28 | 1,802,116 | 2,367,223 | 3,037,843 |
| Profit on Asset Disposals | 20 | 15,395 | 0 | 129,403 |
| Loss on Asset Disposal | 20 | (12,358) | (119,879) | (102,271) |
| NET RESULT | | <u>253,739</u> | <u>247,578</u> | <u>(424,831)</u> |
| Other Comprehensive Income | | | | |
| Total Other Comprehensive Income | | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>0</u> | <u>0</u> | <u>0</u> |

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

SHIRE OF DENMARK
STATEMENT OF COMPEREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2010

| | NOTE | 2010 \$ | 2010 Budget \$ | 2009 \$ |
|---|-------|--------------------|----------------------|---------------------|
| REVENUE | | | | |
| Governance | | 41,839 | 27,964 | 97,915 |
| General Purpose Funding | | 4,891,271 | 4,533,330 | 4,856,492 |
| Law, Order, Public Safety | | 548,651 | 1,041,129 | 892,004 |
| Health | | 15,226 | 9,781 | 62,054 |
| Education and Welfare | | 16,667 | 34,852 | 56,924 |
| Housing | | 43,396 | 37,423 | 17,960 |
| Community Amenities | | 1,142,411 | 990,507 | 1,185,622 |
| Recreation and Culture | | 731,860 | 811,780 | 317,020 |
| Transport | | 1,033,533 | 1,621,233 | 2,609,333 |
| Economic Services | | 455,359 | 447,391 | 489,060 |
| Other Property and Services | | 852,406 | 129,666 | 172,293 |
| | 2 (a) | <u>9,772,618</u> | <u>9,685,056</u> | <u>10,756,678</u> |
| EXPENSES EXCLUDING FINANCE COSTS | | | | |
| Governance | | (472,938) | (465,035) | (516,187) |
| General Purpose Funding | | (317,811) | (318,208) | (320,216) |
| Law, Order, Public Safety | | (747,502) | (684,833) | (803,785) |
| Health | | (139,954) | (192,029) | (219,897) |
| Education and Welfare | | (146,277) | (180,674) | (138,313) |
| Housing | | (0) | (0) | (0) |
| Community Amenities | | (1,910,343) | (2,008,336) | (2,007,722) |
| Recreation & Culture | | (1,436,266) | (1,382,251) | (1,309,148) |
| Transport | | (2,861,714) | (3,362,118) | (5,063,262) |
| Economic Services | | (568,505) | (585,845) | (574,410) |
| Other Property and Services | | (787,097) | (112,853) | (110,435) |
| | | <u>(9,388,408)</u> | <u>(9,292,182)</u> | <u>(11,063,373)</u> |
| FINANCE COSTS | | | | |
| Governance | | (21,472) | (22,376) | (24,572) |
| Education and Welfare | | (4,010) | (4,277) | (4,980) |
| Housing | | (43,396) | (37,423) | (17,960) |
| Community Amenities | | (606) | (675) | (1,419) |
| Recreation & Culture | | (22,902) | (39,437) | (24,423) |
| Transport | | (15,958) | (2,159) | (0) |
| Economic Services | | (22,128) | (22,137) | (23,174) |
| Other Property and Services | | (0) | (16,812) | (21,607) |
| | | <u>(130,471)</u> | <u>(145,296)</u> | <u>(118,136)</u> |
| NET RESULT | | <u>253,739</u> | <u>247,578</u> | <u>(424,831)</u> |
| Other Comprehensive Income | | | | |
| Total Other Comprehensive Income | | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>0</u> | <u>0</u> | <u>0</u> |

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

SHIRE OF DENMARK

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30TH JUNE 2010

| | NOTE | 2010 \$ | 2009 \$ |
|--------------------------------------|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 3 | 3,563,870 | 4,428,333 |
| Trade and Other Receivables | 4 | 874,772 | 592,025 |
| Inventories | 5 | 97,324 | 97,297 |
| TOTAL CURRENT ASSETS | | 4,535,965 | 5,117,655 |
| NON-CURRENT ASSETS | | | |
| Other Receivables | 4 | 1,012,793 | 442,353 |
| Inventories | 5 | 4,739 | 4,739 |
| Property, Plant and Equipment | 6 | 12,876,983 | 12,280,765 |
| Infrastructure | 7 | 55,327,757 | 54,466,524 |
| TOTAL NON-CURRENT ASSETS | | 69,222,272 | 67,194,381 |
| TOTAL ASSETS | | 73,758,238 | 72,312,036 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 8 | 1,794,910 | 1,486,974 |
| Long Term Borrowings | 9 | 260,729 | 264,000 |
| Provisions | 10 | 550,300 | 395,656 |
| TOTAL CURRENT LIABILITIES | | 2,605,939 | 2,146,630 |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | 9 | 2,155,445 | 1,346,619 |
| Deferred Liabilities | 9 | 106,700 | 106,700 |
| Provisions | 10 | 11,682 | 87,355 |
| TOTAL NON-CURRENT LIABILITIES | | 2,273,827 | 1,540,674 |
| TOTAL LIABILITIES | | 4,879,765 | 3,687,303 |
| NET ASSETS | | 68,878,472 | 68,624,732 |
| EQUITY | | | |
| Retained Surplus | | 12,715,307 | 12,733,574 |
| Reserves - Cash Backed | 11 | 2,283,964 | 2,011,957 |
| Reserves - Asset Revaluation | 12 | 53,879,201 | 53,879,201 |
| TOTAL EQUITY | | 68,878,472 | 68,624,732 |

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

SHIRE OF DENMARK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2010

| | NOTE | 2010 \$ | 2009 \$ |
|--|------|--------------------------|--------------------------|
| RETAINED SURPLUS | | | |
| Balance as at 1 July 2009 | | 12,733,574 | 13,309,944 |
| Net Result | | 253,739 | (424,831) |
| Transfer from/(to) Reserves | | (272,007) | (151,538) |
| Balance as at 30 June 2010 | | <u>12,715,307</u> | <u>12,733,574</u> |
| RESERVES - CASH BACKED | | | |
| Balance as at 1 July 2009 | | 2,011,957 | 1,860,419 |
| Amount Transferred (to)/from Retained Surplus | | 272,007 | 151,538 |
| Balance as at 30 June 2010 | 11 | <u>2,283,964</u> | <u>2,011,957</u> |
| RESERVES - ASSET REVALUATION | | | |
| Balance as at 1 July 2009 | | 53,879,201 | 53,879,201 |
| Revaluation Increment | | | |
| Revaluation Decrement | | | |
| Balance as at 30 June 2010 | 12 | <u>53,879,201</u> | <u>53,879,201</u> |
| TOTAL EQUITY | | <u><u>68,878,472</u></u> | <u><u>68,624,732</u></u> |

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

**SHIRE OF DENMARK
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2010**

| | NOTE | 2010 \$ | 2010 Budget \$ | 2009 \$ |
|--|-------|-------------------------|-------------------------|-------------------------|
| Cash Flows From Operating Activities | | | | |
| Receipts | | | | |
| Rates | | 3,681,445 | 3,633,918 | 3,388,793 |
| Operating Grants and Subsidies | | 1,265,397 | 1,242,178 | 742,558 |
| Contributions, Reimbursements & Donations | | 96,339 | 219,313 | 284,432 |
| Fees and Charges | | 2,121,696 | 1,807,036 | 1,585,087 |
| Service Charges | | 0 | 0 | 0 |
| Interest Earnings | | 259,510 | 214,666 | 315,078 |
| Goods and Services Tax | | (45,172) | 0 | 1,233 |
| Other Revenue | | 383,210 | 325,361 | 280,793 |
| | | <u>7,762,424</u> | <u>7,442,472</u> | <u>6,597,974</u> |
| Payments | | | | |
| Employee Costs | | (3,708,700) | (3,594,163) | (3,519,789) |
| Materials and Contracts | | (1,616,082) | (1,463,146) | (1,368,468) |
| Utility Charges | | (178,460) | (139,485) | (140,580) |
| Insurance Expenses | | (157,060) | (145,297) | (137,853) |
| Interest expenses | | (128,132) | (149,272) | (119,378) |
| Goods and Services Tax | | 0 | 0 | 0 |
| Other Expenditure | | (504,350) | (591,510) | (493,143) |
| | | <u>(6,292,784)</u> | <u>(6,082,873)</u> | <u>(5,779,211)</u> |
| Net Cash Provided By (Used In) Operating Activities | 13(b) | <u>1,469,640</u> | <u>1,359,599</u> | <u>818,763</u> |
| Cash Flows from Investing Activities | | | | |
| Payments for Development of Land Held for Resale | | 0 | 0 | 0 |
| Payments for Purchase of Property, Plant & Equipment | | (1,610,969) | (2,593,697) | 0 |
| Payments for Construction of Infrastructure | | (2,816,597) | (3,336,290) | (1,752,829) |
| Advances to Community Groups | | (630,000) | (993,066) | 0 |
| Payments for Purchase of Investments | | 0 | 0 | (1,682,141) |
| Non-Operating Grants, Subsidies and Contributions used for the Development of Assets | | 1,802,116 | 2,367,223 | 3,037,843 |
| Proceeds from Sale of Plant & Equipment | | 80,895 | 83,200 | 300,184 |
| Proceeds from Advances | | 0 | 0 | 0 |
| Proceeds from Sale of Investments | | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Cash Provided By (Used In) Investing Activities | | <u>(3,174,555)</u> | <u>(4,472,630)</u> | <u>(96,943)</u> |
| Cash Flows from Financing Activities | | | | |
| Repayment of Debentures | | (271,195) | (275,869) | (241,545) |
| Repayment of Finance Leases | | 0 | 0 | 0 |
| Proceeds from Self Supporting Loans | | 34,897 | 49,484 | 19,868 |
| Proceeds from New Debentures | | 1,076,750 | 1,473,066 | 80,000 |
| Net Cash Provided By (Used In) Financing Activities | | <u>840,452</u> | <u>1,246,681</u> | <u>(141,677)</u> |
| Net Increase (Decrease) in Cash Held | | <u>(864,463)</u> | <u>(1,866,350)</u> | 580,143 |
| Cash at Beginning of Year | | 4,428,333 | 4,413,417 | 3,848,190 |
| Cash and Cash Equivalents at the End of the Year | 13(a) | <u><u>3,563,870</u></u> | <u><u>2,547,067</u></u> | <u><u>4,428,333</u></u> |

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

**SHIRE OF DENMARK
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2010**

| | NOTE | 2010 \$ | 2010 Budget \$ |
|--|-----------|---------------------------|---------------------------|
| REVENUES | | | |
| Governance | | 41,839 | 27,964 |
| General Purpose Funding | | 1,190,888 | 899,412 |
| Law, Order, Public Safety | | 548,651 | 1,041,129 |
| Health | | 15,226 | 9,781 |
| Education and Welfare | | 16,667 | 34,852 |
| Housing | | 43,396 | 37,423 |
| Community Amenities | | 1,142,411 | 990,507 |
| Recreation and Culture | | 731,860 | 811,780 |
| Transport | | 1,033,533 | 1,621,233 |
| Economic Services | | 455,359 | 447,391 |
| Other Property and Services | | 852,406 | 129,666 |
| | | <u>6,072,236</u> | <u>6,051,139</u> |
| EXPENSES | | | |
| Governance | | (494,410) | (487,411) |
| General Purpose Funding | | (317,811) | (318,208) |
| Law, Order, Public Safety | | (747,502) | (684,833) |
| Health | | (139,954) | (192,029) |
| Education and Welfare | | (150,288) | (184,951) |
| Housing | | (43,396) | (37,423) |
| Community Amenities | | (1,910,949) | (2,009,011) |
| Recreation & Culture | | (1,459,168) | (1,421,688) |
| Transport | | (2,877,672) | (3,364,276) |
| Economic Services | | (590,633) | (607,981) |
| Other Property and Services | | (787,097) | (129,666) |
| | | <u>(9,518,879)</u> | <u>(9,437,477)</u> |
| Adjustments for Cash Budget Requirements: | | | |
| Non-Cash Expenditure and Revenue | | | |
| (Profit)/Loss on Asset Disposals | 20 | (3,037) | 119,879 |
| Movement in Accrued Interest | | 2,339 | 24,744 |
| Movement in Deferred Pensioner Rates (Non-Current) | | 1,444 | 0 |
| Movement in Accrued Salaries and Wages | | 14,455 | 0 |
| Movement in Employee Benefit Provisions | | 78,971 | 0 |
| Movement in Short Term Loans | | (71,000) | 0 |
| Movement in Sundry Debtors non current | | 5,000 | 0 |
| Movement in Restricted Creditors | | 86,048 | 0 |
| Movement in Income received in advance | | 7,557 | 0 |
| Depreciation and Amortisation on Assets | 2a | 2,892,258 | 2,890,426 |
| Capital Expenditure and Revenue | | | |
| Purchase Land Held for Resale | | 0 | 0 |
| Purchase Land and Buildings | | (785,176) | (1,413,197) |
| Purchase Infrastructure Assets - Roads | | (2,816,597) | (3,336,290) |
| Purchase Plant and Equipment | | (744,449) | (1,122,550) |
| Purchase Furniture and Equipment | | (81,344) | (57,950) |
| Proceeds from Disposal of Assets | 20 | 80,895 | 83,200 |
| Repayment of Debentures | 21a | (271,195) | (275,869) |
| Proceeds from New Debentures | 21 | 1,076,750 | 676,065 |
| Advances to Community Groups | | (630,000) | 0 |
| Self-Supporting Loan Principal Income | | 34,897 | 49,484 |
| Transfers to Reserves (Restricted Assets) | 11 | (398,007) | (121,364) |
| Transfers from Reserves (Restricted Assets) | 11 | 126,000 | 157,240 |
| ADD Estimated Surplus/(Deficit) July 1 B/Fwd | | 2,424,022 | 2,089,805 |
| LESS Estimated Surplus/(Deficit) June 30 C/Fwd | | 1,283,569 | 11,202 |
| Amount Required to be Raised from Rates | 22 | <u>(3,700,382)</u> | <u>(3,633,918)</u> |

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

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

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 report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

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 this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities 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 this financial report.

(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 in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectability of trade 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 DENMARK
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

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

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

(g) Fixed Assets

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 includes the cost of all materials, direct labour and variable and fixed overheads.

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 a basis to reflect the already consumed or expired future economic benefits.

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 significantly from that determined using fair value at reporting date.

Land under Roads

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation of Non-Current Assets

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

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

| | |
|--------------------------|-----------------|
| Buildings | 50 to 100 years |
| Furniture and Equipment | 10 years |
| Plant and Equipment | 5 to 15 years |
| Sealed roads and streets | |
| clearing and earthworks | not depreciated |
| construction/road base | 50 years |
| original surfacing and | |
| major re-surfacing | |
| - bituminous seals | 20 years |
| Gravel roads | |
| clearing and earthworks | not depreciated |
| construction/road base | 50 years |
| gravel sheet | 12 years |
| Formed roads (unsealed) | |
| clearing and earthworks | not depreciated |
| construction/road base | 50 years |
| Footpaths - slab | 40 years |

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

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

i) Financial assets at fair value through profit and loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and derecognition

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

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

Impairment

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

(j) Estimation of Fair Value

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each 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.

(l) Trade and Other Payables

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

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

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

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

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

Borrowing Costs

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

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

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

(p) Leases

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

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

(q) Joint Venture

The municipality's interest in any joint venture is recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the statement of financial position and statement of comprehensive income. Information about any joint venture is set out in Note 16.

The Shire of Denmark currently has no joint ventures.

(r) Rates, Grants, Donations and Other Contributions

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

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

(s) Superannuation

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) Budget Comparative Figures

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations

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 2009.

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 | 1 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 | 1 January 2011 | Nil – It is not anticipated the Council will have any related parties as defined by the Standard. |
| (iii) | AASB 2009-5 - Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] 136 & 139] | May 2009 | 1 January 2010 | Nil – The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFR's. It is not anticipated these will have any effect on the Council. |
| (iv) | AASB 2009-8 - Further amendments to Australian Accounting Standards - Group Cash - Settled Share-based Payment Transactions [AASB 2]. | July 2009 | 1 January 2010 | Nil - The Council will not have applicable transactions. |

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

| Title and Topic | Issued | Applicable (*) | Impact |
|--|---------------|-----------------|---|
| (v) AASB 2009-12 - Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] | December 2009 | 1 January 2011 | Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB 8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council. |
| (vi) 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 | 1 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(ii) above). |
| (vi) AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] | December 2009 | 1 July 2010 | 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 2010- 1 Amendment to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosure for First-time Adopters [AASB 1 & AASB 7] | February 2010 | 1 July 2010 | |
| AASB 2009- 10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB132] | October 2009 | 1 February 2010 | |

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

| Title and Topic | Issued | Applicable (*) | Impact |
|--|---------------|----------------|--|
| (vi) (Continued) Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments | December 2009 | 1 July 2010 | 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 | 1 January 2011 | |

Notes:

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

(y) 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.

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Council.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Council's financial statements.

Disclosure Impact

Terminology changes – The revised version of AABS 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Adoption of New and Revised Accounting Standards continued

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required owner changes in equity and other comprehensive income to be presented in the statement of changes in equity.

Statement of Comprehensive Income – The revised AASB 101 requires all income and expenses to be presented in either a single statement, the Statement of Comprehensive Income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Council has adopted the single statement approach and the financial statements now contain a statement of comprehensive income.

Other Comprehensive Income – The revised version of AASB 101 introduces the concept of ‘other comprehensive income’ which comprises income and expenses not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| 2. REVENUES AND EXPENSES | 2010 | 2009 |
|---|------------------|------------------|
| | \$ | \$ |
| (a) Net Result | | |
| The Net Result includes: | | |
| (i) Charging as an Expense: | | |
| Significant Expense | | |
| General Purpose Funding | <u>0</u> | <u>0</u> |
| This significant expense relates to | | |
| Amortisation | | |
| Capitalised Leased Assets | 0 | 0 |
| Auditors Remuneration | | |
| - Audit | 16,000 | 16,000 |
| - Other Services | | |
| Depreciation | | |
| Buildings | 265,327 | 255,216 |
| Furniture and Equipment | 87,405 | 86,993 |
| Plant and Equipment | 584,162 | 560,114 |
| Tools | 0 | 0 |
| Infrastructure | <u>1,955,364</u> | <u>3,835,314</u> |
| | <u>2,892,258</u> | <u>4,737,636</u> |
| Interest Expenses | | |
| Finance Lease Charges | | |
| Debentures (<i>refer Note 21(a)</i>) | <u>130,471</u> | <u>118,136</u> |
| | <u>130,471</u> | <u>118,136</u> |
| Rental Charges | | |
| - Operating Leases | <u>0</u> | <u>0</u> |
| (ii) Crediting as Revenue: | | |
| | 2010 | 2010 |
| | \$ | Budget |
| | | \$ |
| Interest Earnings | | |
| Investments | | |
| - Reserve Funds | 88,007 | 61,365 |
| - Other Funds | 98,758 | 78,635 |
| - Self Supporting Loans | 55,149 | 54,666 |
| Other Interest Revenue (<i>refer note 26</i>) | <u>17,597</u> | <u>20,000</u> |
| | <u>259,510</u> | <u>214,666</u> |
| | | <u>315,078</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis and for each of its broad activities/programs.

Shire Mission Statement

"Harmonious community and a great environment in which to live."

Council operations as disclosed in this financial report encompass the following service orientated activities/programs:

GOVERNANCE

Members of Council, general administration expenses including staff, office maintenance and insurances.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants, investment funds and other financial matters.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention including Community Fire Manager and Bushfire Brigades, animal control (Rangers) and State Emergency Services operations.

HEALTH

Water and food quality monitoring, effluent disposal and public health compliance control on business premises catering for the large tourism trade and domestic residences.

EDUCATION AND WELFARE

Health inspection and administration, Preventative Services such as analytical costs and food sampling.

HOUSING

Lionsville Aged Accommodation self supporting loans.

COMMUNITY AMENITIES

Refuse collection services (including recycling), operation of landfill and recycling centres, administration of the Town Planning Scheme, provision of facilities such as the Cemetery and Public Conveniences, effluent disposal (septic tanks) and environmental programs.

RECREATION AND CULTURE

Maintenance and operation of Halls, Civic Centre, Library, Recreation Centre and various parks and gardens. TV re-broadcasting tower maintenance.

TRANSPORT

Construction and maintenance of roads and streets including drainage, footpaths, parking facilities, regulatory signs, street cleaning and lighting. Maintenance of Works Depot and road plant purchases.

BUILDING & ECONOMIC SERVICES

The regulation and provision of tourism facilities including the Denmark Tourism Inc. and Parry Beach camping grounds, area promotion, building control, sale yard facilities, noxious weed, pest control and limesand quarry.

OTHER PROPERTY & SERVICES

Public Works Overheads (engineering staff, leave entitlements and insurances). Plant costs (repair wages, parts, fuel, insurance and licenses), stock and materials and salaries and wages.

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

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

| Grants | Opening Balance (*) 1-Jul-08 \$ | Received (+) 2008/09 \$ | Expended (#) 2008/09 \$ | Closing Balance (*) 30-Jun-09 \$ | Received (+) 2009/10 \$ | Expended (#) 2009/10 \$ | Closing Balance 30-Jun-10 \$ |
|---|--|--|--|---|--|--|---|
| Bridge improvements | 106,000 | 0 | 0 | 106,000 | 54,000 | (80,000) | 80,000 |
| Roadwise | 800 | 5,000 | (4,800) | 1,000 | 909 | (1,909) | 0 |
| Mentoring Program | 630 | 0 | (630) | 0 | 0 | 0 | 0 |
| Community Safety & Crime Prevention Plan | 3,468 | 0 | (1,468) | 2,000 | 1,200 | (3,200) | 0 |
| Emergency Management | 37,600 | 0 | (37,600) | 0 | 0 | 0 | 0 |
| ESL Grants | 0 | 802,156 | (802,156) | 0 | 395,992 | (395,992) | 0 |
| Healthway Community Project | 36,465 | 0 | (36,465) | 0 | 0 | 0 | 0 |
| Roads to Recovery | 165,354 | 212,878 | (378,232) | 0 | 217,091 | (217,091) | 0 |
| Flood Plain Mapping | 35,000 | 0 | (35,000) | 0 | 0 | 0 | 0 |
| Constructed Wetlands | 3,500 | 0 | (3,500) | 0 | 0 | 0 | 0 |
| DEC - Valley of Giants Road | 420,000 | 0 | (420,000) | 0 | 0 | 0 | 0 |
| Royalties for Regions | 0 | 1,076,771 | (0) | 1,076,771 | 0 | (1,036,771) | 40,000 |
| RLCIP Program | 0 | 100,000 | (0) | 100,000 | 0 | (100,000) | 0 |
| RLCIP& Dept Sport & Recreation Rec Centre | 0 | 0 | (0) | 0 | 60,955 | (60,955) | 0 |
| Grants Commission | 0 | 1,237,173 | (979,753) | 257,420 | 1,024,737 | (1,004,274) | 277,883 |
| Main Roads Grants | 0 | 346,807 | (346,807) | 0 | 456,346 | (456,346) | 0 |
| Regional Bicycle Network | 0 | 45,000 | (45,000) | 0 | 42,964 | (42,964) | 0 |
| DEC Poison Point Nature Trail | 0 | 0 | 0 | 0 | 11,130 | (0) | 11,130 |
| Wilson Inlet Improvements | 0 | 0 | 0 | 0 | 10,000 | (0) | 10,000 |
| Coastal Reserves & Plans Management | 0 | 0 | 0 | 0 | 25,800 | (0) | 25,800 |
| Kwoorabup Community Park (T/f to reserve) | 0 | 0 | 0 | 0 | 260,675 | (260,675) | 0 |
| Reticulation Berridge Park | 0 | 20,000 | (20,000) | 0 | 13,750 | (13,750) | 0 |
| Rivermouth Boat Launching Facility | 0 | 0 | (0) | 0 | 13,750 | (13,750) | 0 |
| RADS Airport Upgrade | 0 | 0 | (0) | 0 | 83,200 | (83,200) | 0 |
| DEC Airport Water Tank | 0 | 0 | (0) | 0 | 8,000 | (8,000) | 0 |
| AWARE Program | 0 | 0 | (0) | 0 | 13,636 | (13,636) | 0 |
| Youth Holiday & Festival | 0 | 3,930 | (3,930) | 0 | 3,600 | (3,600) | 0 |
| Youth Support Service | 0 | 23,149 | (23,149) | 0 | 23,894 | (23,894) | 0 |
| Total | 808,817 | 3,872,863 | (3,138,489) | 1,543,191 | 2,721,628 | (3,820,006) | 444,813 |

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

2. REVENUE AND EXPENSES (Continued)

| (d) Conditions Over Grants/Contributions | Opening Balance (*) 1-Jul-08 \$ | Received (+) 2008/09 \$ | Expended (#) 2008/09 \$ | Closing Balance (*) 30-Jun-09 \$ | Received (+) 2009/10 \$ | Expended (#) 2009/10 \$ | Closing Balance 30-Jun-10 \$ |
|--|--|-------------------------------|-------------------------------|---|-------------------------------|-------------------------------|---------------------------------------|
| Restricted Creditors | | | | | | | |
| Civic Centre Bonds | 4,575 | 1,500 | (1,255) | 4,820 | 2,800 | (2,060) | 5,560 |
| Recreation Centre Bonds | 660 | 1,010 | (1,230) | 440 | 1,460 | (1,240) | 660 |
| Bus Hire Bond | 1,960 | 3,740 | (3,300) | 2,400 | 7,860 | (6,200) | 4,060 |
| Tree Planting Bond | 4,150 | 0 | (0) | 4,150 | 0 | (0) | 4,150 |
| Firebreak Bond | 3,225 | 0 | (0) | 3,225 | 0 | (0) | 3,225 |
| Footpaths Deposits | 400 | 0 | (400) | 0 | 0 | (0) | 0 |
| Relocated Dwelling Deposit | 24,500 | 0 | (0) | 24,500 | 20,000 | (14,500) | 30,000 |
| Outstanding Roadworks | 232,422 | 0 | (169,601) | 62,821 | 7,750 | (8,855) | 61,716 |
| Prepaid Private Works | 4,455 | 0 | (4,455) | 0 | 0 | (0) | 0 |
| Liberty Swing Donation | 0 | 500 | (0) | 500 | 500 | (0) | 1,000 |
| Contributions in lieu of Parking | 54,373 | 0 | (30,000) | 24,373 | 30,678 | (0) | 55,051 |
| Contributions to Roadworks | 182,364 | 0 | (0) | 182,364 | 6,655 | (0) | 189,019 |
| Extractive Industry Bonds | 3,410 | 0 | (0) | 3,410 | 0 | (3,410) | 0 |
| Retention on Works | 217,978 | 4,549 | (1,380) | 221,147 | 108,042 | (56,895) | 272,294 |
| WIMAG Operations | 18,252 | 0 | (7,884) | 10,368 | 0 | (10,368) | 0 |
| Soil Stabilisation | 0 | 0 | (0) | 0 | 4,831 | (1,000) | 3,831 |
| Total | 752,724 | 11,299 | (219,505) | 544,518 | 190,576 | (104,528) | 630,566 |

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 DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 \$ | 2009 \$ |
|-------------------------------------|-------------------------|-------------------------|
| 3. CASH AND CASH EQUIVALENTS | | |
| Unrestricted | 19,185 | 308,177 |
| Restricted | <u>3,544,685</u> | <u>4,120,156</u> |
| | <u><u>3,563,870</u></u> | <u><u>4,428,333</u></u> |

The following restrictions have been imposed by regulations or other externally imposed requirements:

| | | |
|------------------------------------|-------------------------|-------------------------|
| Leave Reserve | 359,450 | 344,507 |
| Plant Reserve | 176,502 | 169,164 |
| Parry Inlet Reserve | 85,739 | 107,094 |
| Cemetery Reserve | 25,675 | 24,608 |
| Lime Quarry Rehabilitation Reserve | 27,416 | 26,276 |
| Land and Building Reserve | 1,021,694 | 1,075,064 |
| Centenary Celebrations | 43,381 | 31,875 |
| Refuse Site Development Reserve | 294,108 | 233,369 |
| Kwoorabup Community Park Reserve | 250,000 | 0 |
| Unspent Grants (ii) | 444,813 | 1,543,191 |
| Restricted Creditors (i) | 630,566 | 544,518 |
| Income Received in Advance (iii) | <u>185,340</u> | <u>20,489</u> |
| | <u><u>3,544,685</u></u> | <u><u>4,120,156</u></u> |

(i) Restricted Creditors

| | | |
|----------------------------------|-----------------------|-----------------------|
| Civic Centre / Rec Centre Bonds | 6,220 | 5,260 |
| Bus Hire Bond | 4,060 | 2,400 |
| Tree Planting Bond | 4,150 | 4,150 |
| Firebreak Bond | 3,225 | 3,225 |
| Relocated Dwelling Deposit | 30,000 | 24,500 |
| Outstanding Roadworks | 61,716 | 62,821 |
| Liberty Swing Donation | 1,000 | 500 |
| Contributions in lieu of Parking | 55,051 | 24,373 |
| Contributions to Roadworks | 189,019 | 182,364 |
| Extractive Industry Bonds | 0 | 3,410 |
| Retention on Works | 272,294 | 221,147 |
| WIMAG Operations | 0 | 10,368 |
| Soil Stabilisation | <u>3,831</u> | <u>0</u> |
| | <u><u>630,566</u></u> | <u><u>544,518</u></u> |

(ii) Unspent Grants

| | | |
|--|-----------------------|-------------------------|
| Bridge improvements | 80,000 | 106,000 |
| Roadwise | 0 | 1,000 |
| Royalties for Regions | 40,000 | 1,076,771 |
| RLCIP Program | 0 | 100,000 |
| Grants Commission Prepayment | 277,883 | 257,420 |
| Community Safety & Crime Prevention Plan | 0 | 2,000 |
| DEC Poison Point Nature Trail | 11,130 | 0 |
| Wilson Inlet Improvements | 10,000 | 0 |
| Coastal Reserves & Plans Management | 25,800 | 0 |
| Emergency Management | <u>0</u> | <u>0</u> |
| | <u><u>444,813</u></u> | <u><u>1,543,191</u></u> |

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

| | 2010 | 2009 |
|--|----------------|---------------|
| | \$ | \$ |
| <i>(iii) Income Received in Advance</i> | | |
| Rates assessments | 1,889 | 1,889 |
| Energy Emissions Data Management | 0 | 8,600 |
| Wilson Inlet Improvements | 0 | 10,000 |
| Roadwise Committee | 500 | 0 |
| Dept of Regional Development | 35,000 | 0 |
| Westernpower | 110,327 | 0 |
| Dept for Communities | 8,800 | 0 |
| R4R Business Planning | 20,000 | 0 |
| LGIS Future planning | 8,825 | 0 |
| | <u>185,340</u> | <u>20,489</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 | 2009 |
|---|--------------------|--------------------|
| | \$ | \$ |
| 4. TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Rates Outstanding | 136,048 | 115,666 |
| Sundry Debtors | 547,565 | 413,992 |
| Prepayments | 529 | 529 |
| Short Term Loans | 71,000 | 0 |
| Accrued Income | 17,432 | 14,947 |
| GST | 56,277 | 19,190 |
| Loans - Clubs/Institutions | 45,921 | 27,701 |
| Land Held for Resale - Cost | 0 | 0 |
| | <u>874,772</u> | <u>592,025</u> |
| Non-Current | | |
| Sundry Debtors | 17,006 | 22,006 |
| Rates Outstanding - Pensioners | 26,844 | 28,288 |
| Loans - Clubs/Institutions | 968,943 | 392,059 |
| | <u>1,012,793</u> | <u>442,353</u> |
| 5. INVENTORIES | | |
| Current | | |
| Fuel and Oils | 21,454 | 20,569 |
| Materials | 75,871 | 76,728 |
| | <u>97,324</u> | <u>97,297</u> |
| Non-Current | | |
| Local Govt House Units | 4,639 | 4,639 |
| Denmark Co-op Shares | 100 | 100 |
| | <u>4,739</u> | <u>4,739</u> |
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Land and Buildings - Cost | 10,956,401 | 10,171,225 |
| Less Accumulated Depreciation | <u>(2,204,969)</u> | <u>(1,939,642)</u> |
| | 8,751,432 | 8,231,583 |
| Furniture and Equipment - Cost | 928,593 | 862,059 |
| Less Accumulated Depreciation | <u>(715,898)</u> | <u>(643,303)</u> |
| | 212,695 | 218,756 |
| Plant and Equipment - Cost | 7,209,440 | 6,645,523 |
| Less Accumulated Depreciation | <u>(3,296,584)</u> | <u>(2,815,096)</u> |
| | 3,912,856 | 3,830,427 |
| Tools | 13,528 | 13,528 |
| Less Accumulated Depreciation | <u>(13,528)</u> | <u>(13,528)</u> |
| | 0 | 0 |
| | <u>12,876,983</u> | <u>12,280,765</u> |

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Land & Buildings \$ | Furniture & Equipment \$ | Plant & Equipment \$ | Tools \$ | Total \$ |
|----------------------------|--|---|---|---------------------|---------------------|
| Balance as at 1 July 2009 | 8,231,583 | 218,755 | 3,830,427 | 0 | 12,280,765 |
| Additions | 785,176 | 81,344 | 744,449 | | 1,610,969 |
| (Disposals) | (0) | (14,811) | (180,533) | | (195,343) |
| Depreciation on Disposals | 0 | 14,811 | 102,675 | | 117,486 |
| Revaluation - Increments | 0 | 0 | | | 0 |
| - (Decrements) | 0 | 0 | | | 0 |
| Impairment - (losses) | 0 | 0 | | | 0 |
| - reversals | 0 | 0 | | | 0 |
| Depreciation (Expense) | (265,327) | (87,405) | (584,162) | | (936,894) |
| Other Movements | 0 | 0 | 0 | | 0 |
| Balance as at 30 June 2010 | <u>8,751,432</u> | <u>212,695</u> | <u>3,912,856</u> | <u>0</u> | <u>12,876,983</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 \$ | 2009 \$ |
|---|---------------------|---------------------|
| 7. INFRASTRUCTURE | | |
| Roads - management revaluation 2003 | 77,966,394 | 77,966,394 |
| Roads - Cost 2003 | 964,580 | 964,580 |
| Roads - Cost 2004 | 1,016,647 | 1,016,647 |
| Roads - Cost 2005 | 870,930 | 870,930 |
| Roads - Cost 2006 | 3,276,457 | 3,276,457 |
| Roads - Cost 2007 | 1,184,291 | 1,184,291 |
| Roads - Cost 2008 | 1,313,630 | 1,313,630 |
| Roads - Cost 2009 | 1,598,234 | 1,598,234 |
| Roads - Cost 2010 | 2,338,473 | 0 |
| Less Accumulated Depreciation | <u>(38,468,794)</u> | <u>(36,658,063)</u> |
| | 52,060,842 | 51,533,100 |
| | | |
| Parks, Gardens & Reserves - management revaluation 2003 | 2,047,447 | 2,047,447 |
| Parks, Gardens & Reserves - Cost 2003 | 142,633 | 142,633 |
| Parks, Gardens & Reserves - Cost 2004 | 250,617 | 250,617 |
| Parks, Gardens & Reserves - Cost 2005 | 100,297 | 100,297 |
| Parks, Gardens & Reserves - Cost 2006 | 191,603 | 191,603 |
| Parks, Gardens & Reserves - Cost 2007 | 319,521 | 319,521 |
| Parks, Gardens & Reserves - Cost 2008 | 248,196 | 248,196 |
| Parks, Gardens & Reserves - Cost 2009 | 83,907 | 83,907 |
| Parks, Gardens & Reserves - Cost 2010 | 289,056 | 0 |
| Less Accumulated Depreciation | <u>(1,147,997)</u> | <u>(1,021,748)</u> |
| | 2,525,279 | 2,362,473 |
| | | |
| Airstrip - management revaluation 2003 | 286,950 | 286,950 |
| Airstrip - Cost 2003 | 0 | 0 |
| Airstrip - Cost 2004 | 169,641 | 169,641 |
| Airstrip - Cost 2005 | 264,815 | 264,815 |
| Airstrip - Cost 2006 | 13,915 | 13,915 |
| Airstrip - Cost 2007 | 0 | 0 |
| Airstrip - Cost 2008 | 0 | 0 |
| Airstrip - Cost 2009 | 0 | 0 |
| Airstrip - Cost 2010 | 189,068 | 0 |
| Less Accumulated Depreciation | <u>(182,753)</u> | <u>(164,370)</u> |
| | 741,635 | 570,951 |
| | <u>55,327,757</u> | <u>54,466,524</u> |

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

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

| | Roads | Parks Gardens Reserves | Airstrip | Total |
|----------------------------|-------------------|---------------------------------------|-----------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2009 | 51,533,100 | 2,362,472 | 570,951 | 54,466,524 |
| Additions | 2,338,473 | 289,056 | 189,068 | 2,816,597 |
| (Disposals) | | | | 0 |
| Revaluation - Increments | | | | 0 |
| - (Decrements) | | | | 0 |
| Impairment - (losses) | | | | 0 |
| - reversals | | | | 0 |
| Depreciation (Expense) | (1,810,732) | (126,250) | (18,383) | (1,955,364) |
| Other Movements | 0 | 0 | 0 | 0 |
| Balance as at 30 June 2010 | <u>52,060,842</u> | <u>2,525,279</u> | <u>741,636</u> | <u>55,327,757</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 | 2009 |
|---|------------------|------------------|
| | \$ | \$ |
| 8. TRADE AND OTHER PAYABLES | | |
| Current | | |
| Sundry Creditors & Accruals | 838,644 | 633,022 |
| Accrued Interest on Loans | 27,799 | 25,460 |
| Accrued Salaries and Wages | 56,730 | 51,066 |
| Accrued RDO's | 43,493 | 34,702 |
| Income Received in Advance | 185,340 | 177,783 |
| GST Payable | 12,338 | 20,423 |
| Bonds & Deposits | 630,566 | 544,518 |
| | <u>1,794,910</u> | <u>1,486,974</u> |
| 9. LONG-TERM BORROWINGS | | |
| Current | | |
| Secured by Floating Charge | | |
| Debentures | <u>260,729</u> | <u>264,000</u> |
| | <u>260,729</u> | <u>264,000</u> |
| Non-Current | | |
| Secured by Floating Charge | | |
| Debentures | <u>2,155,445</u> | <u>1,346,619</u> |
| | <u>2,155,445</u> | <u>1,346,619</u> |
| Additional detail on borrowings is provided in Note 21. | | |
| Deferred Liabilities | | |
| Peaceful Bay Caravan Park Buildings | 82,000 | 82,000 |
| Rivermouth Caravan Park Buildings | 24,700 | 24,700 |
| | <u>106,700</u> | <u>106,700</u> |
| 10. PROVISIONS | | |
| Current | | |
| Provision for Annual Leave | 299,587 | 168,626 |
| Provision for Long Service Leave | 250,712 | 227,030 |
| | <u>550,300</u> | <u>395,656</u> |
| Non-Current | | |
| Provision for Annual Leave | 0 | 83,206 |
| Provision for Long Service Leave | 11,682 | 4,148 |
| | <u>11,682</u> | <u>87,355</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 \$ | 2010 Budget \$ | 2009 \$ |
|---|-------------------------|-------------------------|-------------------------|
| 11. RESERVES - CASH/INVESTMENT BACKED | | | |
| (a) Employee Entitlements Reserve | | | |
| Opening Balance | 344,507 | 344,507 | 324,665 |
| Amount Set Aside / Transfer to Reserve | 14,943 | 10,507 | 19,842 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>359,450</u> | <u>355,014</u> | <u>344,507</u> |
| (b) Plant Reserve | | | |
| Opening Balance | 169,165 | 169,165 | 159,425 |
| Amount Set Aside / Transfer to Reserve | 7,337 | 5,160 | 9,739 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>176,502</u> | <u>174,325</u> | <u>169,165</u> |
| (c) Parry Inlet Reserve | | | |
| Opening Balance | 107,094 | 107,094 | 100,924 |
| Amount Set Aside / Transfer to Reserve | 4,645 | 3,266 | 6,170 |
| Amount Used / Transfer from Reserve | (26,000) | (24,234) | 0 |
| | <u>85,739</u> | <u>86,126</u> | <u>107,094</u> |
| (d) Cemetery Reserve | | | |
| Opening Balance | 24,608 | 24,608 | 23,191 |
| Amount Set Aside / Transfer to Reserve | 1,067 | 751 | 1,417 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>25,675</u> | <u>25,359</u> | <u>24,608</u> |
| (e) Lime Quarry Rehabilitation Reserve | | | |
| Opening Balance | 26,276 | 26,276 | 24,764 |
| Amount Set Aside / Transfer to Reserve | 1,140 | 801 | 1,513 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>27,416</u> | <u>27,077</u> | <u>26,276</u> |
| (f) Land and Building Reserve | | | |
| Opening Balance | 1,075,064 | 1,075,064 | 1,216,713 |
| Amount Set Aside / Transfer to Reserve | 46,630 | 32,789 | 74,351 |
| Amount Used / Transfer from Reserve | (100,000) | (133,006) | (216,000) |
| | <u>1,021,694</u> | <u>974,847</u> | <u>1,075,064</u> |
| (g) Centenary Celebrations Reserve | | | |
| Opening Balance | 31,875 | 31,875 | 10,738 |
| Amount Set Aside / Transfer to Reserve | 11,506 | 10,972 | 21,137 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>43,381</u> | <u>42,847</u> | <u>31,875</u> |
| (h) Refuse Site Development Reserve | | | |
| Opening Balance | 233,369 | 233,369 | 71,200 |
| Amount Set Aside / Transfer to Reserve | 60,739 | 57,118 | 162,169 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>294,108</u> | <u>290,487</u> | <u>233,369</u> |
| (i) Kwoorabup Community Park Reserve | | | |
| Opening Balance | 0 | 0 | 0 |
| Amount Set Aside / Transfer to Reserve | 250,000 | 0 | 0 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | <u>250,000</u> | <u>0</u> | <u>0</u> |
| TOTAL CASH BACKED RESERVES | <u><u>2,283,964</u></u> | <u><u>1,976,081</u></u> | <u><u>2,011,957</u></u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 & 4 to this financial report.

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

Employee Entitlements Reserve

- to be used to fund employee entitlements.

Plant Reserve

- to be used for the purchase of major plant as per the plant replacement schedule.

Parry Inlet Reserve

- to be utilised to carry out improvements and maintenance on the Parry Beach Reserve.

Cemetery Reserve

- to be used for the construction of new facilities at the Denmark Cemetery.

Lime Quarry Rehabilitation Reserve

- to be used for the maintenance of the Shire Lime Quarry (Reserve 24913, Ocean Beach Road).

Land and Building Reserve

- to be used for the construction of new building or land purchases.

Centenary Celebrations Reserve

- to be used for celebrations associated with the Centenary of the Shire of Denmark.

Refuse Site Development Reserve

- to be used for land acquisition and development of a new refuse facility.

Kwoorabup Community Park Reserve

- to be used for the development of the Kwoorabup Community Park.

The Leave, Plant, Parry Inlet, Cemetery, Lime Quarry Rehabilitation and Land & Building Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

12. RESERVES - ASSET REVALUATION

2010

2009

\$

\$

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

(a) **Asset Revaluation Reserve**

| | | |
|----------------------------|-------------------|-------------------|
| Balance as at 1 July 2009 | 53,879,201 | 53,879,201 |
| Revaluation Increment | | |
| Revaluation Decrement | | |
| Balance as at 30 June 2010 | <u>53,879,201</u> | <u>53,879,201</u> |

TOTAL ASSET REVALUATION RESERVE

53,879,201

53,879,201

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the balance sheet as follows:

| | 2010 \$ | 2010 Budget \$ | 2009 \$ |
|---------------------------|------------------|----------------------|------------------|
| Cash and Cash Equivalents | <u>3,563,870</u> | <u>2,547,067</u> | <u>4,428,333</u> |

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

| | | | |
|--|------------------|------------------|----------------|
| Net Result | 253,739 | 247,578 | (424,831) |
| Depreciation | 2,892,258 | 2,890,428 | 4,737,636 |
| Writedown in fair value of Investments | 0 | 0 | 0 |
| Impairment (Loss)/Reversal | 0 | 0 | 0 |
| (Profit)/Loss on Sale of Asset | (3,037) | 119,879 | (27,132) |
| (Increase)/Decrease in Receivables | (184,598) | 124,638 | 335,225 |
| (Increase)/Decrease in Inventories | (27) | (10,001) | 44,129 |
| Increase/(Decrease) in Payables | 199,876 | 364,808 | (817,112) |
| Increase/(Decrease) in Employee Provisions | 93,426 | (10,508) | 8,691 |
| Grants/Contributions for the Development of Assets | (1,781,996) | (2,367,233) | (3,037,843) |
| Net Cash from Operating Activities | <u>1,469,640</u> | <u>1,359,589</u> | <u>818,763</u> |

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

| | | | |
|--------------------------------------|-----------------|------------------|------------------|
| Bank Overdraft limit | 0 | (250,000) | (250,000) |
| Bank Overdraft at Balance Date | 0 | 0 | 0 |
| Credit Card limit | (20,000) | (20,000) | (20,000) |
| Credit Card Balance at Balance Date | 3,163 | 0 | 0 |
| Total Amount of Credit Unused | <u>(16,837)</u> | <u>(270,000)</u> | <u>(270,000)</u> |

Loan Facilities

| | | | |
|--|------------------|------------------|------------------|
| Loan Facilities - Current | 260,729 | 275,869 | 264,000 |
| Loan Facilities - Non-Current | 2,155,445 | 2,311,848 | 1,346,619 |
| Total Facilities in Use at Balance Date | <u>2,416,174</u> | <u>2,587,717</u> | <u>1,610,619</u> |

| | | | |
|---|----------|----------|----------|
| Unused Loan Facilities at Balance Date | <u>0</u> | <u>0</u> | <u>0</u> |
|---|----------|----------|----------|

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

14. CONTINGENT LIABILITIES

The Shire of Denmark has no current contingent liability claims.

15. CAPITAL AND LEASING COMMITMENTS

| | 2010 | 2009 |
|--|------|------|
| | \$ | \$ |

(a) Finance Lease Commitments

Payable:

| | | |
|---|---|---|
| - not later than one year | 0 | 0 |
| - later than one year but not later than five years | 0 | 0 |
| - later than five years | 0 | 0 |
| Minimum Lease Payments | 0 | 0 |
| Less Future Finance Charges | | |
| Total Lease Liability | 0 | 0 |

(b) Operating Lease Commitments

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

Payable:

| | | |
|---|---|---|
| - not later than one year | 0 | 0 |
| - later than one year but not later than five years | 0 | 0 |
| - later than five years | 0 | 0 |
| | 0 | 0 |
| | 0 | 0 |

(c) Capital Expenditure Commitments

Contracted for:

| | | |
|--------------------------------|---|---|
| - capital expenditure projects | 0 | 0 |
| - plant & equipment purchases | 0 | 0 |

Payable:

| | | |
|---------------------------|---|---|
| - not later than one year | 0 | 0 |
| | 0 | 0 |
| | 0 | 0 |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

16. JOINT VENTURE

The Shire of Denmark currently has no joint venture projects.

| | 2010 | 2009 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY | | |
| Governance | 2,598,255 | 2,515,535 |
| General Purpose Funding | 277,883 | 373,086 |
| Law, Order, Public Safety | 1,948,609 | 1,699,338 |
| Health | 39,868 | 39,868 |
| Education and Welfare | 339,196 | 348,897 |
| Housing | 770,057 | 18,000 |
| Community Amenities | 2,855,062 | 3,044,440 |
| Recreation and Culture | 5,685,188 | 4,796,717 |
| Transport | 56,696,156 | 57,006,598 |
| Economic Services | 1,181,345 | 1,204,669 |
| Other Property and Services | 1,323,240 | 1,233,014 |
| Unallocated | 43,381 | 31,875 |
| | 73,758,238 | 72,312,036 |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| | 2010 | 2009 | 2008 |
|--|------|------|------|
| 18. FINANCIAL RATIOS | | | |
| Current Ratio | 69% | 205% | 221% |
| Untied Cash to Unpaid Trade Creditors Ratio | 2% | 49% | 72% |
| Debt Ratio | 7% | 5% | 6% |
| Debt Service Ratio | 5% | 5% | 4% |
| Gross Debt to Revenue Ratio | 30% | 21% | 27% |
| Gross Debt to Economically Realisable Assets Ratio | 2% | 1% | 1% |
| Rate Coverage Ratio | 49% | 47% | 51% |
| Outstanding Rates Ratio | 4% | 4% | 4% |

The above ratios are calculated as follows:

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

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

19. TRUST FUNDS

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

| | Balance 1-Jul-09 | Amounts Received | Amounts Paid | Balance 30-Jun-10 |
|--------------------------|-----------------------------|-----------------------------|-------------------------|------------------------------|
| | \$ | \$ | (\$) | \$ |
| DPI Licensing | 0 | 1,619,232 | (1,619,232) | 0 |
| BCITF Training Levy | 1,157 | 33,181 | (33,506) | 832 |
| Building Levy | 181 | 8,816 | (8,853) | 144 |
| Lieu of Open Space | 302,461 | 40,983 | (30,678) | 312,767 |
| Nomination Deposits | 0 | 880 | (880) | 0 |
| Parks & Trails Committee | 1,000 | 1,000 | 0 | 2,000 |
| | <u>304,799</u> | <u>1,704,092</u> | <u>(1,693,149)</u> | <u>315,743</u> |

20. DISPOSALS OF ASSETS - 2009/10 FINANCIAL YEAR

The following assets were disposed of during the year.

| | Net Book Value | | Sale Price | | Profit (Loss) | |
|-------------------------------------|-----------------------|----------------|-------------------|---------------|----------------------|------------------|
| | Actual | Budget | Actual | Budget | Actual | Budget |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Ford Falcon FG XT Sedan | 20,706 | 23,000 | 15,000 | 9,500 | (5,706) | (13,500) |
| Ford Falcon FG XT Sedan | 21,788 | 21,000 | 15,909 | 9,500 | (5,879) | (11,500) |
| Ford Ranger Crew Cab | 13,173 | 18,600 | 17,455 | 18,500 | 4,281 | (100) |
| Ford Ranger XL Crew Cab | 17,327 | 21,000 | 19,091 | 18,500 | 1,764 | (2,500) |
| MF 235 Tractor | 0 | 0 | 3,441 | 0 | 3,441 | 0 |
| Holden Rodeo | 0 | 7,099 | 5,000 | 5,000 | 5,000 | (2,099) |
| Triton 4x2 Utility | 4,564 | 7,660 | 4,091 | 7,200 | (473) | (460) |
| Merlo Tractor | 0 | 104,720 | 0 | 15,000 | 0 | (89,720) |
| Lanier LD075 Copier | 0 | 0 | 909 | 0 | 909 | 0 |
| Bushfire Vehicle (no consideration) | 300 | 0 | 0 | 0 | (300) | 0 |
| | <u>77,858</u> | <u>203,079</u> | <u>80,895</u> | <u>83,200</u> | <u>3,038</u> | <u>(119,879)</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

| Particulars | Principal 1-Jul-09 \$ | New Loans \$ | Principal Repayments | | Principal 30-Jun-10 | | Interest Repayments | |
|--------------------------|-----------------------------|--------------------|-------------------------|--------------|------------------------|--------------|------------------------|--------------|
| | | | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| 113 - Admin | 318,172 | | 44,019 | 44,019 | 274,153 | 230,134 | 21,472 | 22,376 |
| 123 * Lionsville | 219,502 | | 13,017 | 13,017 | 206,485 | 193,468 | 16,982 | 17,478 |
| 126 - Civic Centre | 138,376 | | 32,021 | 32,021 | 106,355 | 74,334 | 6,649 | 6,667 |
| 129 * Scouts | 41,343 | | 1,864 | 1,864 | 39,478 | 37,614 | 2,380 | 2,428 |
| 130 - Plant | 16,629 | | 16,629 | 16,629 | 0 | 0 | 668 | 744 |
| 131 - Visitors Centre | 321,230 | | 15,919 | 15,919 | 305,311 | 289,392 | 22,128 | 22,137 |
| 132 - Youth Centre | 62,049 | | 13,903 | 13,903 | 48,146 | 34,243 | 4,010 | 4,277 |
| 133 - Community Bus | 12,194 | | 12,194 | 12,194 | 0 | 0 | 490 | 546 |
| 135 - Recycling Bins | 15,077 | | 15,077 | 15,077 | 0 | 0 | 606 | 675 |
| 137 - Plant | 68,036 | | 32,963 | 32,963 | 35,073 | 2,110 | 3,848 | 3,865 |
| 138 - Plant | 177,047 | | 39,670 | 39,670 | 137,377 | 97,707 | 11,442 | 12,203 |
| 139 - Civic Centre | 62,049 | | 13,903 | 13,903 | 48,146 | 34,243 | 4,010 | 4,313 |
| 140 * Bowling Club | 78,916 | | 6,524 | 6,524 | 72,392 | 65,868 | 5,423 | 5,547 |
| 141 * Bowling Club | 80,000 | | 6,296 | 6,296 | 73,704 | 67,407 | 3,950 | 4,085 |
| 142 * Lionsville | | 600,000 | 7,195 | 11,869 | 592,805 | 788,131 | 26,414 | 19,945 |
| 143 - Airport | | 83,250 | 0 | 0 | 83,250 | 83,250 | 0 | 2,159 |
| 144 - Recreation Centre | | 75,000 | 0 | 0 | 75,000 | 75,000 | 0 | 2,001 |
| 145 - Tennis Courts | | 63,500 | 0 | 0 | 63,500 | 63,500 | 0 | 1,743 |
| 146 * Tennis Courts | | 0 | 0 | 0 | 0 | 35,000 | 0 | 953 |
| 147 - Football Clubrooms | | 225,000 | 0 | 0 | 225,000 | 158,250 | 0 | 4,238 |
| 148 * Football Club Ext | | 30,000 | 0 | 0 | 30,000 | 158,066 | 0 | 4,230 |
| 149 - McLean Oval | | 0 | 0 | 0 | 0 | 100,000 | 0 | 2,686 |
| | 1,610,619 | 1,076,750 | 271,195 | 275,868 | 2,416,173 | 2,587,717 | 130,471 | 145,296 |

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

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

21. INFORMATION ON BORROWINGS

(b) New Debentures - 2009/10

| Particulars/Purpose | Amount Borrowed | | Institution | Loan Type | Term (Years) | Total Interest & Charges | Interest Rate % | Amount Used | | Balance Unspent \$ |
|-----------------------------|-----------------|-----------|-------------|-----------|--------------|--------------------------|-----------------|-------------|-----------|--------------------|
| | Actual \$ | Budget \$ | | | | | | Actual \$ | Budget \$ | |
| 142 * S/S Lionsville | 600,000 | 800,000 | WATC | P & I | 20 | 520,880 | 6.88 | 600,000 | 800,000 | 0 |
| 143 - Airport | 83,250 | 83,250 | WATC | P & I | 15 | 47,194 | 6.26 | 83,250 | 83,250 | 0 |
| 144 - Recreation Centre | 75,000 | 75,000 | WATC | P & I | 10 | 26,166 | 5.96 | 75,000 | 75,000 | 0 |
| 145 - Tennis Courts | 63,500 | 63,500 | WATC | P & I | 10 | 22,159 | 5.96 | 63,500 | 63,500 | 0 |
| 147 - Football Clubrooms | 225,000 | 158,250 | WATC | P & I | 20 | 179,272 | 6.37 | 225,000 | 158,250 | 0 |
| 148 * S/S Football Club Ext | 30,000 | 158,066 | WATC | P & I | 10 | 10,466 | 5.96 | 30,000 | 158,066 | 0 |

(c) Unspent Debentures

| Particulars | Date Borrowed | Balance 1-Jul-09 \$ | Borrowed During Year \$ | Expended During Year \$ | Balance 30-Jun-10 \$ |
|-------------|---------------|---------------------|-------------------------|-------------------------|----------------------|
| | | | | | |
| | | 0 | 0 | 0 | 0 |

(d) Overdraft

Council did not utilise an overdraft facility during the 2009/2010 financial year.

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

22. RATING INFORMATION - 2009/10 FINANCIAL YEAR

| RATE TYPE | Rate in \$ | Number of Properties | Rateable Value \$ | Rate Revenue \$ | Interim Rates \$ | Back Rates \$ | Total Revenue \$ | Budget Revenue \$ | Budget Interim Rate \$ | Budget Back Rate \$ | Budget Total Revenue \$ |
|-------------------------------------|-------------------|----------------------|-------------------|-----------------|------------------|---------------|------------------|-------------------|------------------------|---------------------|-------------------------|
| Differential General Rate | | | | | | | | | | | |
| GRV | 8.4085 | 1,695 | 22,269,366 | 1,872,521 | 74,378 | 3,132 | 1,950,030 | 1,845,086 | 18,000 | | 1,863,086 |
| UV | 0.2383 | 547 | 328,198,000 | 782,096 | | | 782,096 | 794,840 | 2,000 | | 796,840 |
| Sub-Totals | | 2,242 | 350,467,366 | 2,654,617 | 74,378 | 3,132 | 2,732,126 | 2,639,926 | 20,000 | 0 | 2,659,926 |
| Minimum Rates | Minimum \$ | | | | | | | | | | |
| GRV | 684 | 1,369 | 9,452,104 | 936,396 | | | 936,396 | 934,344 | | | 934,344 |
| UV | 708 | 45 | 11,820,000 | 31,860 | | | 31,860 | 39,648 | | | 39,648 |
| Sub-Totals | | 1,414 | 21,272,104 | 968,256 | 0 | 0 | 968,256 | 973,992 | 0 | 0 | 973,992 |
| Ex-Gratia Rates | | | | | | | 3,700,382 | | | | 3,633,918 |
| Specified Area Rate (refer note 23) | | | | | | | 3,700,382 | | | | 3,633,918 |
| Discounts (refer note 25) | | | | | | | 3,700,382 | | | | 3,633,918 |
| Totals | | | | | | | 3,700,382 | | | | 3,633,918 |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

23. SPECIFIED AREA RATE - 2009/10 FINANCIAL YEAR

No specified area rate charge is applied to properties within the Shire of Denmark.

24. SERVICE CHARGES - 2009/10 FINANCIAL YEAR

No specified service charges are applied to properties within the Shire of Denmark.

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

The Shire of Denmark does not offer any discount or early payment incentives for rates paid prior to due date.

Photocopy Charges are waived for certain community groups such as the local newsletter, St John Ambulance and Volunteer Bush Fire Brigade. Council considers support of these groups necessary for the overall benefit of the community.

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

| | Interest Rate % | Admin. Charge \$ | Revenue \$ | Budgeted Revenue \$ |
|------------------------------|--------------------------------|---------------------------------|-----------------------|------------------------------------|
| Interest on Unpaid Rates | 11.00% | - | - | - |
| Interest on Instalments Plan | 5.50% | - | 17,597 | 20,000 |
| Charges on Instalment Plan | - | 6.00 | 26,940 | 24,000 |
| | | | 44,537 | 44,000 |

Ratepayers had the option of paying rates in four equal instalments, due on 18th September 2009, 18th November 2009, 18th January 2010 and 18th March 2010. Administration charges and interest applied for the final three instalments.

| 27. FEES & CHARGES | 2010 \$ | 2010 Budget | 2009 \$ |
|-------------------------------|--------------------|------------------------|--------------------|
| Governance | 15,038 | 15,720 | 28,589 |
| General Purpose Funding | 0 | 0 | 0 |
| Law, Order, Public Safety | 13,039 | 11,000 | 10,049 |
| Health | 6,634 | 3,500 | 5,677 |
| Education and Welfare | 8,200 | 8,200 | 8,200 |
| Housing | 0 | 0 | 0 |
| Community Amenities | 912,752 | 876,332 | 768,349 |
| Recreation and Culture | 160,535 | 137,150 | 135,384 |
| Transport | 18,775 | 232,363 | 212,080 |
| Economic Services | 403,246 | 392,933 | 417,251 |
| Other Property and Services | 712,050 | 5,200 | 5,200 |
| | <u>2,250,269</u> | <u>1,682,398</u> | <u>1,590,780</u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

| 28. GRANT REVENUE | 2010 | 2009 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| By Nature and Type: | | |
| Operating Grants, Subsidies and Contributions | 1,265,397 | 1,713,499 |
| Non-Operating Grants, Subsidies and Contributions | <u>1,802,116</u> | <u>3,037,843</u> |
| | <u><u>3,067,513</u></u> | <u><u>4,751,342</u></u> |
| By Program: | | |
| Governance | 330 | 26,293 |
| General Purpose Funding | 1,079,795 | 1,344,230 |
| Law, Order, Public Safety | 506,778 | 849,174 |
| Health | 0 | 36,465 |
| Education and Welfare | 3,600 | 40,522 |
| Housing | 0 | 0 |
| Community Amenities | 103,197 | 154,900 |
| Recreation and Culture | 465,303 | 46,149 |
| Transport | 908,510 | 2,253,610 |
| Economic Services | 0 | 0 |
| Other Property and Services | <u>0</u> | <u>0</u> |
| | <u><u>3,067,513</u></u> | <u><u>4,751,342</u></u> |

| 29. COUNCILLORS' REMUNERATION | 2010 | 2010 | 2009 |
|--|----------------------|----------------------|----------------------|
| | \$ | Budget | \$ |
| | | \$ | |
| The following fees, expenses and allowances were paid to council members and/or the president. | | | |
| Meeting Fees | 54,113 | 52,000 | 53,300 |
| President's Allowance | 10,000 | 10,000 | 10,000 |
| Deputy President's Allowance | 2,500 | 2,500 | 2,500 |
| Travelling Expenses | 8,721 | 6,000 | 4,265 |
| Communications Allowance | <u>11,677</u> | <u>11,000</u> | <u>12,500</u> |
| | <u><u>87,011</u></u> | <u><u>81,500</u></u> | <u><u>82,565</u></u> |

30. EMPLOYEES' REMUNERATION

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 | 2010 | 2009 |
|---------------------|-------------|-------------|
| \$ | | |
| 100,000 - 109,999 | | |
| 110,000 - 119,999 | | |
| 120,000 - 129,999 | 1 | 1 |
| 130,000 - 139,999 | | |
| 140,000 - 149,999 | | |
| 150,000 - 159,999 | | |
| 160,000 - 169,999 | | |

| 31. EMPLOYEE NUMBERS | 2010 | 2009 |
|--|------------------|------------------|
| The number of full-time equivalent employees at balance date | <u><u>61</u></u> | <u><u>60</u></u> |

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

32. MAJOR LAND TRANSACTIONS

Council has had no major land transactions during the 2009/10 financial year.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

| | Carrying Value | | Fair Value | |
|------------------------------|-----------------------|------------------|-------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 3,563,870 | 4,428,333 | 3,563,870 | 4,428,333 |
| Receivables | 1,816,565 | 1,034,378 | 1,816,565 | 1,034,378 |
| | <u>5,380,435</u> | <u>5,462,711</u> | <u>5,380,435</u> | <u>5,462,711</u> |
| Financial Liabilities | | | | |
| Payables | 1,794,910 | 1,486,974 | 1,794,910 | 1,486,974 |
| Borrowings | 2,416,174 | 1,610,619 | 2,228,073 | 1,331,603 |
| | <u>4,211,084</u> | <u>3,097,593</u> | <u>4,022,983</u> | <u>2,818,577</u> |

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings, Held-to-Maturity Investments – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss, Available for Sale Financial Assets – based on quoted market prices at the reporting date or independent valuation.

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

| | 30-Jun-10 | 30-Jun-09 |
|---|-----------|-----------|
| | \$ | \$ |
| Impact of a 10% (*) movement in interest rates on cash and investments: | | |
| - Equity | 0 | 0 |
| - Income Statement | 214,435 | 137,891 |
| Impact of a 1% (*) movement in interest rates on cash and investments: | | |
| - Equity | 0 | 0 |
| - Income Statement | 21,443 | 13,789 |

Notes:

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

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

(+) Maximum impact.

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

| | 30-Jun-10 | 30-Jun-09 |
|--|-----------|-----------|
| Percentage of Rates and Annual Charges | | |
| - Current | 0.00% | 0.00% |
| - Overdue | 100.00% | 100.00% |
| Percentage of Other Receivables | | |
| - Current | 85.68% | 81.99% |
| - Overdue | 14.32% | 18.01% |

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

| | Due within 1 year \$ | Due between 1 & 5 years \$ | Due after 5 years \$ | Total contractual cash flows \$ | Carrying values \$ |
|--------------------|---|---|---|--|-----------------------------------|
| <u>2010</u> | | | | | |
| Payables | 1,550,840 | 244,070 | 0 | 1,794,910 | 1,794,910 |
| Borrowings | 407,303 | 1,331,337 | 1,849,731 | 3,588,371 | 2,416,174 |
| | <u>1,958,143</u> | <u>1,575,407</u> | <u>1,849,731</u> | <u>5,383,281</u> | <u>4,211,084</u> |
| <u>2009</u> | | | | | |
| Payables | 1,206,500 | 280,474 | 0 | 1,486,974 | 1,486,974 |
| Borrowings | 371,341 | 1,226,044 | 95,296 | 1,692,681 | 1,610,619 |
| | <u>1,577,841</u> | <u>1,506,518</u> | <u>95,296</u> | <u>3,179,655</u> | <u>3,097,593</u> |

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. As such there is no risk to movements in interest rates applicable to the Shire of Denmark.

SHIRE OF DENMARK

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2010

(c) Borrowings (Continued)

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

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

| | <1 year | >1<2 years | >2<3 years | >3<4 years | >4<5 years | >5 years | Total | Weighted Average Effective Interest Rate |
|---|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|--------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| <u>Year Ended 30 June 2010</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | 35,073 | 0 | 233,669 | 106,355 | 0 | 2,041,076 | 2,416,173 | 6.68% |
| Weighted Average Effective Interest Rate | 6.30% | 0.00% | 7.22% | 5.11% | 0.00% | 6.63% | | |
| <u>Year Ended 30 June 2009</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | 43,900 | 68,036 | 0 | 301,145 | 138,376 | 1,059,163 | 1,610,620 | 6.75% |
| Weighted Average Effective Interest Rate | 5.60% | 6.30% | 0.00% | 7.22% | 5.11% | 6.94% | | |