



Shire of Lake Grace

---

# ANNUAL REPORT

---

*For the Financial Year Ended 30 June 2007*



---

# 2006/2007 ANNUAL REPORT

---

## INDEX

<b>SECTION 1</b>	Page
Agenda for 2006/2007 Annual Electors Meeting .....	3
Annual Electors Meeting Confirmation of Minutes .....	4
Presidents Report .....	12
Chief Executive Officers Report .....	14
Plan for the Future – Overview 2006/07 .....	16
National Competition Policy .....	19
Disability Services Plan .....	20
Record Keeping Plan .....	20
Building Services .....	21
Environmental Health Services .....	21
 <b>SECTION 2</b>	
Index .....	22
Statement by Chief Executive Officer .....	23
Financial Statements .....	24-65
Auditors Report .....	66-68



---

## ANNUAL MEETING OF ELECTORS

---

### AGENDA

Notice is given that the Annual meeting of Electors will be held on Monday 8 October 2007, commencing at 7.30 pm at the Lake King Town Hall, Lake King.

1. Opening & Welcome
2. Apologies
3. Confirmation of Minutes of the Annual Electors Meeting held on the 10 October 2006.
4. Receival of Presidents Report
5. Receival of Chief Executive Officers Report
6. Receival of the 2006/2007 Annual Financial Statements
7. Receival of Auditors Report
8. Other Information and Question time
9. General Business
10. Closure



---

## SECTION 1: ELECTORS MEETING

---

Minutes of the Annual Elector's Meeting held on Monday 10 October 2006 at the Varley Pavilion, Varley.

### 1.0 OPENING

Shire President, Cr Darcy Roberts, presiding, opened the meeting at 7.38pm, welcoming everyone along to the meeting.

### PRESENT

Cr Darcy Roberts (President)	Cr Andrew Walker
Cr Helen Bennett	Cr Meighan Stewart
Cr Ollie Farrelly	Cr Royce Taylor
Cr Ian Chamberlain	Cr Wally Newman
Cr Dean Sinclair	Mrs Rosy Sinclair
Mr Malcolm Smallacombe	Mrs Anna Lisa Newman
Mr Ben Hyde	Mrs Anne Hyde
Mrs Sylvia Brandenburg	Mr Ian Brandenburg
Mr Tim Cattle	

In attendance

Mr Chris Jackson (Chief Executive Officer)  
Ms Leonie McIlree (Deputy Chief Executive Officer)  
Mr Jim Fraser (Project Officer)  
Mrs Jeanette Bennett (Executive Assistant)

### 2.0 APOLOGIES

None.

### 3.0 MINUTES OF PREVIOUS MEETING

There being no questions:

*Moved Cr Wally Newman , seconded Cr Andrew Walker*

Minutes of previous Elector's Meeting held on Monday 10 October 2005 be accepted. *Carried.*



#### 4.0 2005/2006 ANNUAL REPORT - PRESIDENT'S REPORT

The President read aloud his report. There being no questions:

*Moved Cr Helen Bennett, seconded Cr Meighan Stewart*

That the President's Report for 2005/2006 be received.

*Carried.*

#### 5.0 2005/2006 ANNUAL REPORT – CHIEF EXECUTIVE OFFICER'S REPORT

The Chief Executive Officer read aloud his report and noted the sad passing of Manager of Works, Garry Moulds and that his funeral was to be held on 13 October 2006 in Northam. There being no questions:

*Moved Cr Ollie Farrelly, seconded Cr Sinclair*

That the Chief Executive Officer's Report for 2005/2006 be received.

*Carried.*

#### 6.0 2005/2006 ANNUAL REPORT – FINANCIAL STATEMENTS

There being no questions:

*Moved Cr Royce Taylor, seconded Cr Andrew Walker*

That the 2005/2006 Annual Financial Statements as presented be received and adopted.

*Carried.*

#### 7.0 2005/2006 ANNUAL REPORT – AUDITOR'S REPORT

The Chief Executive Officer read aloud the Report. There being no questions:

*Moved Cr Meighan Stewart, seconded Cr Ollie Farrelly*

That the Auditor's Report, inclusive of the Management Report for the 2005/2006 Financial Year be received.

*Carried.*



## 8.0 OTHER INFORMATION AND QUESTION TIME

Council previously received the following written questions from Mrs Anna Lisa Newman copies of which were handed out by CEO Chris Jackson, along with the written replies and supporting information: (replies are in bold italic type)

**Question 1)** During the selection process for Round Three Localised Enhancement Project Grants the Shire of Lake Grace was assessed with regard to the following factors

- Power System Criteria
- Heritage/tourism/scenic/geographic significance
- Budget of the Project
- Demonstrated Funding Credibility
- Regional Preference
- Indicative Community Support

With regard to the above assessment criteria:

- a) How much money was budgeted by the Shire of Lake Grace to be spent on the project?
- b) Are these funds capped or is there the potential for these funds to increase during the course of implementation of the project.
- c) How in the application to Western Power did the Council budget demonstrate where the above funds shown were to be sourced from?
- d) How did the Shire of Lake Grace obtain community support for the Underground Power Project prior to their application to Western Power for grant monies?
- e) How did the council demonstrate community support for the project and it's funding to Western Power and the Government during the selection process of 2003/2004?
- f) Which official clubs/groups in the Lake Grace and surrounding community's demonstrated official support for the underground power project?

***Reply: Refer attached Expression of Interest that was submitted to the State Underground Power Programme on the 17 April 2004 and Memo to Cr Chamberlain 26 September 2006 providing information on the project. These documents provide detail on each of the above questions.***

**Question 2)** The Shire of Lake Grace entered into an agreement with the Honourable Minister for Energy and Western Power for the Lake Grace Underground Power Project after motion 10110 was carried in Nov 2005. According to comment (Nov 2005 Minutes)

*"Council needs to confirm acceptance of the agreement and the expenditure so that the contract for the works across the state can be awarded"*



- a) Did the councillors discuss how the expenditure associated with the project was to be recouped at this November 2005 meeting?
- b) If not why not?
- c) At this stage of negotiations was the council still considering a service charge for direct users of the underground power?
- d) On what date was it then made known to councillors that a service charge was not going to be enforced?

***Reply: Minutes of the Ordinary meeting of Council held 23 November 2005 are attached which provide a record of information presented together with the decision of Council. No further comment can be provided by the Executive other than the information contained with the minutes.***

- f) In November 2005 when the shire signed the agreement, was the Shire CEO still yet to provide a report to councillors outlining options for recoup of expenditure costs?
- g) On what date were the councillors actually informed of the recommended methods by the Staff of the Shire of Lake Grace to recoup expenditure associated with the Underground Power project?
- h) Why was it left to July 2006 – four months before the scheduled commencement date of the project and three years after the original application was submitted for the project, for deliberations on recouping expenditure costs to occur?

***Reply: Council adopted the 2006/2007 Budget on the 23 August 2006 following various budget briefings. Reports to Council by the CEO in relation to Underground Power have included information presented as part of a notice of motion by Cr Wally Newman (attached) and details contained within the papers presented as part of the budget deliberations (attached).***

*Comment*

*All the above information has previously been presented to Council and has been available to the community. Council and community support for this project dates back to before 2003 with Council in 2003/2004 allocating funds from Reserve.*

*All the records perused by the Executive indicate that it has always been the intent that the 50% share of the project would be funded direct from general rates. There would appear to be no record of discussion relating to the raising of a Service Charge prior to the matter being discussed during 2005/2006. A formal contract has now been entered into and funds have been committed from Reserve in the 2005/2006 Budget.*

*I have also included a copy of a letter from the Varley Progress Association again expressing disapproval in relation to the funding of the underground power project. It must be pointed out that it is the Council that has approved the method by which the project has been funded and not the*



*CEO! Council in making this decision has been presented with all the relevant information including submissions by groups such as the Varley Progress Association and Cr Newman.*

*It should also be noted that whilst Council has a policy on Specified Area Rates, the policy relates solely to Capital Expenditure for Recreation (Policy 3.3 under review) and all recreation & culture operating costs are currently raised by way of Specified Area Rates. This is not relative to the issue of the raising of a Service Charge. Council has made the decisions on this project and as the CEO, I cannot offer any further detail other than the information available to me.*

**Query: Mr Tim Cattle queried the level of community support for the Underground Power Project.**

*Reply: The CEO replied community support is outlined in the Shire's Localised Power Enhancement Scheme funding application which is included in the supporting information handed out tonight.*

**Query: Mr Malcolm Smallacombe questioned whether the original estimate of \$200,000 from 3 or 4 years ago is still current and whether there is provision for cost over-runs?**

*Reply: The President replied that Council has made a formal commitment of \$199,500 for the project, the price is locked in and there are contingencies within the project budget for cost variations.*

**Query: Mrs Sylvia Brandenburg acknowledged the Underground Power information has been available to the community through Council's Minutes and asked the meeting whether there were any community concerns re the underground power being funded directly from municipal funds?**

*Reply: The President replied no further community submissions have been received.*

**Query: Mrs Brandenburg then went on to ask whether Lake King would be applying for the same scheme with regard to its main road upgrade?**

*Reply: The Chief Executive Officer replied that the Localised Enhancement Scheme funding is offered on a three year cycle and it is a possibility that Lake King could be considered in the next round.*

**Query: Mrs Anna Lisa Newman asked for a differentiation between the intent of the Shire to expend the funds as of November 2005 and the recouping of expenditure costs?**

*Reply: The Chief Executive Officer replied that while most of the funds had been put aside prior to that November 2005 resolution, the matter had been considered at the Budget Meeting and Council accepted through*





*adoption of the budget process to take funds from the Reserve for this project.*

**Comments:** Mr Malcolm Smallacombe made the point that in this instance there was obviously a clear message from the community for future consultation between Council and ratepayers for large scale projects such as this.

*Cr Ollie Farrelly advised that in 2002, due to the delays with the release of the Localised Power Enhancement Funding Program, Council voted 12/0 to delay the project to allow the funding application to be submitted.*

**Mr Ben Hyde commented on “debating after the fact” & Mr Ian Brandenburg commented on the creating of a precedent.**

## **9.0 GENERAL BUSINESS**

**Query:** Mr Ben Hyde referred to the matter of delay in construction of the Varley Fire Shed and was there ever going to be a finish date?

**Reply:** *The President replied he had been unaware of the delays until last week. The Chief Executive Officer advised that the building industry delays experienced with delivery of materials had meant the project did not commence until July and then the Shire crew were taken off that job to complete the Newdegate Toilet Block in time for the Newdegate Field Days. Cr Roberts acknowledged community concerns over the delay, advised the project is a priority and that staff are doing their best to complete the shed as soon as possible.*

**Query:** Mr Malcolm Smallacombe queried the \$200,000 set aside in the Budget for the cleaning of effluent dams at Lake Grace?

**Reply:** *The Chief Executive Officer advised that Council runs the Lake Grace Sewerage Scheme, Lake Grace ratepayers are levied and the money goes into Reserve allowing for maintenance and repairs to be undertaken.*

**Query:** Mr Malcolm Smallacombe queried whether Council was aware that a 20km section of Carstairs Road was regularly being used as an access road to the mine site with truck drivers diverting when the regular access road which is in the Shire of Kondinin, is closed. This happens regularly following any rain in the area. Were there any signs available that can be kept in Varley to facilitate coordination of closing that section of Carstairs road at the same time as the Shire of Kondinin's roads are closed?

**Reply:** *The Chief Executive Officer advised the matter will be followed up. Cr Stewart noted that in instances such as this it is helpful if ratepayers can contact the Shire or their local Councillor and advise them of situations such as this.*



**Query:** Mr Tim Cattle queried the situation regarding the current Maintenance Grading Contract for the Lake King Area and commented that the roads were not being maintained to their normal standards and were deteriorating and back slopes were not being cleaned up.

**Reply:** *The President advised that due to the lack of qualified contractors, Mr Terry Henderson, the current maintenance grading contract holder, has been involved with flood re-instatement works, he still has the Lake King contract and with the flood works now slowing up it is his intention to get back to his regular contract work.*

**Query:** Mrs Sylvia Brandenburg queried the \$2.2M budget surplus, noted that the Lake King drainage works did not get done, how are Council going to manage the surplus and will the Shire engage more staff and contractors?

**Reply:** *The Chief Executive Officer advised as follows:  
Loan funds and an advance on Roads to Recovery funds are included in the surplus, the 25% shortfall for flood recovery road works is making budgeting difficult and more contractual work on the road program will be undertaken. Council is working on an alliance concept using contractors over the next 12 to 18 months. With flood repairs now almost completed the normal program can proceed, this year has seen a constant challenge to keep on top of the years program and the Manager of Works had been on course to make that happen.*

**Query:** Mr Ian Brandenburg noted the sad and sudden loss of our Manager of Works, Mr Garry Moulds and asked what the plans were for the Manager of Works position?

**Reply:** *The Chief Executive Officer advised the Works Supervisor is managing the day to day operations of the works crew and discussions were underway to consider options on how to best manage the future for the Works Department.*

**Query:** Mrs Sylvia Brandenburg noted the successful Aquatic & Recreation Program and that funds have been allocated under the Lake King Specified Area Rate for activities in Lake King. When was it going to happen and by who?

**Reply:** *The Chief Executive Officer replied the 'when and who' is part of the problem. Suitably qualified staff are difficult to find, we are looking at options and every effort will be made to provide the program in Lake King as soon as possible.*

**Query:** Mrs Anne Hyde congratulated the Shire on the excellent work recently done around the town, however it was long overdue and several letters of complaint were required before anything was done.



**Reply:** *The Chief Executive Officer apologised for the delay and advised Council would try to have a more regular presence in the future. Significant monies need to be spent on repairing and patching the re-occurring potholing around the town streets and roads.*

**Query:** Mr Malcome Smallacombe queried sealing works to Varley South Road, it was his understanding a further 5km was to be sealed this year and when was it scheduled?

**Reply:** *The President replied the work is definitely scheduled on this year's programme. Project Officer, Mr Jim Fraser advised work was scheduled to begin in a matter of weeks, however it may be put forward to the new year in order to avoid the upcoming harvest season.*

**Comment:** Mrs Sylvia Brandenburg brought to Council's attention the fact that Magdhaba Track Rd, initially a bush track and now a formalised road is well used and has received only minor maintenance, and requested it be considered in next years works program.

**Comment:** Mr Tim Cattle referred to the proposed new public toilet facility for Lake King and asked that Council consider very carefully its location. In his opinion the issue has not been considered widely enough by the community and Mr Cattle made comment that should the toilet be located opposite the general store being in the old townsite, there would be three (3) public toilet facilities available within 100 metres of each other. Mr Cattle asked that Council recall the Lake King Hall renovations some years ago and the expectation that the hall toilets would be available for public use. Mr Cattle also asked that Council seriously consider the long term benefits for Lake King in relation to the crossroads and construction of the toilet facility at the cross roads.

**Reply:** *The President replied that an architectural firm, Landvision has been engaged by Council to draw up concept plans for the old Lake King townsite with a public toilet facility included in the plan. Initial plans have been forwarded to Main Roads for approval. The project is at the embryo stage and extensive community consultation will need to be undertaken.*

## **10.0 CLOSURE**

There being no further business, the President once again thanked everyone for their attendance and input and closed the meeting at 8.53pm.



---

## PRESIDENT'S REPORT

---

I am pleased to present the Annual Report for the year ended 30 June 2007.

This year has seen the completion of the flood repairs caused by the 13<sup>th</sup> January 2006 floods. Whilst the repair work took longer than expected it must be remembered the damage was severe - one plus out of this is that all the roads that had work done on them are now better than before. Thanks to all the Works staff for their hard work during this time.

Council's Works Budget of \$4.7M was the largest the Shire has ever undertaken. This, however, did not go as smoothly as expected with cost over-runs on three of the large jobs. This is not acceptable to Council and policy has since been put in place to ensure this does not happen again.

On a sad note, in October 2006, our newly appointed Manager of Works, Garry Moulds suddenly passed away. Garry had a wealth of experience and Council was looking forward to working with him. However, when one door closes another one opens, and in December 2006, Council appointed Glen Brigg as Manager of Works. We welcomed Glen and his family to Lake Grace from Tambo in Queensland. Glen has a wealth of experience in sealed roads, and accordingly has identified problems with many of our sealed roads. As a consequence the need to reseal our existing seals as matter of urgency will delay any new seals.

Council is undertaking a comprehensive study of all its roads and this will be implemented into our new Strategic Plan for the next five years and beyond. Our CEO is compiling this at the present time.

Again, Council had two Councillors attend the Australian Local Government Association's National Local Roads Congress. This year it was held in Newcastle, NSW. Crs Farrelly and Chamberlain attended and took the opportunity to speak to Federal Ministers and Shadow Ministers on a range of subjects including rail line closures.

Council's policy of taking its Council meetings out to Newdegate, Lake King and Varley again has proved to be successful, allowing the community to attend meetings without much travel. This will continue. Council had a stand at the Newdegate Field Days which was very successful - this is set to continue again in 2007 in a bigger and better way.

The communities of Dunn Rock and Magenta have nearly finished their community dam projects with funding sourced through the Department of Water. They are all to be congratulated for their efforts.



Varley has also obtained funding for a community dam, work on which should start in July. There is still Department of Water funding available for communities wishing to take up this opportunity.

Finally, our office upgrade has been completed - albeit 5 months late. Staff relocated back to the new offices during April 2007 and are now appreciating the modern and efficient work environment. Thanks to staff for their patience whilst working in the cramped conditions at the Old Doctor's Surgery.

I would also like to thank the outside Work Staff and Office Staff for their hard work during the year in supplying local government services to our communities. Many thanks to our CEO, Chris Jackson for his hard work in making it all happen.

Finally, thanks to my fellow Councillors for your support during the year.

A handwritten signature in blue ink, appearing to read 'G.E.J. Roberts'.

G.E.J. (Darcy) Roberts  
**PRESIDENT**



---

## CHIEF EXECUTIVE OFFICER'S REPORT

---

I am very happy to advise that I write this annual report from the newly renovated Shire Administration Centre. With some minor works and decorations still required to complete the upgrade, total expenditure on the project since work commenced in April 2006 is roundly \$720k.

The renovations provide Councillors and staff with a new modern work environment together with improved customer service and access for the public. This major development will provide the Shire with facilities of a high standard long into the future. I acknowledge the efforts of staff, the builder, local contractors and Councillors who had the foresight to proceed with this important project.

Capital expenditure on infrastructure assets (i.e. roads) continues to be a major focus with expenditure exceeding \$1.7m. Some of these works are as follows:

- Purnta Road gravel sheeting
- Old Ravensthorpe Road gravel sheeting
- Varley South Road bitumen sealing
- North Lake Grace Kalgarin Road resealing
- Newdegate North Road widening of seal
- Lake King Norseman Road gravel sheeting
- Mount Sheridan Road gravel sheeting
- Underground Power Stubbs St Lake Grace
- Drainage improvements Lake King
- Various footpath construction

Unfortunately road construction included a number of budget overruns brought about in part with problems associated with contract works and difficulties with Shire supervisory staff. A full report of these matters was provided to Council at its Ordinary Meeting held on 23 May 2007 and is available as part of the minutes of this meeting. With the use of Roads to Recovery Supplementary (Commonwealth Government) funding and additional flood damage monies (State Government funded) there was no net impact on the budget.

Maintenance on our roads exceeded \$3.5m and included over \$2.2m on flood repairs and \$500k on maintenance grading. Council was successful with its argument to the State Government for additional funds for flood repairs, bringing the total funding for this purpose up to 87.5%, leaving the Shire's contribution down from 25% to 12.5%.

Other highlights for the year included:

- A new transportable home located in Lake Grace which has been rented on a long term lease for the WA Police.
- The long awaited new Newdegate Public Toilet was completed and whilst the toilet has gained a level of notoriety it is now a very prominent and well used public facility for locals and travellers.



- Serious works also finally commenced on the Lake Grace Sporting Precinct with new netball & tennis courts. The Lake Grace community should be commended for all the hard work put in to the redevelopment so far.
- The Shire has been involved in a number of community water projects which includes community dams at Dunn Rock, Magenta, Pallarup, Newdegate, South East Newdegate, Varley and Lake Grace, all of which are at various stages of development.
- Development of the Shire's Cultural Community Plan was ongoing during the year and whilst Council has not formally endorsed a document, it is now being used to support the establishment of a Strategic Plan and the day to day operations of the Shire. A series of well attended, successful community information gathering and visioning workshops were held throughout the Shire over a 5 month period. Cultural Planning is ongoing and with development of the Community Calendar and the support of the arts in the community it will continue to be an important focus.
- The introduction of kerbside recycling services for Lake Grace and Newdegate has been successful with significant volumes of waste now not going into landfill.

Attraction and retention and of staff continues to be a big issue for the Shire. The year has again seen many staff changes and was marked by the sad loss of our Manager of Works, Garry Moulds. Following a difficult search for a new Works Manager, Council has been fortunate in securing the services of Glen Brigg who, with his family Kathy and Jessie relocated from Queensland. Council also welcomed Jim Fraser to the position of Manager Community Services; Jim brings a wealth of experience to the Shire.

I would like to acknowledge the efforts of all staff as it has been a difficult year, with most of it spent in the cramped working environment at the old Doctor's Surgery. Well done to you all, I know that your commitment and hard work is very much appreciated by the community.

Whilst it has been a year marked with many difficulties, sadness and challenges it is with a positive outlook that I look forward to an exciting 2007/2008. I must thank Shire President Cr Darcy Roberts for his personal and professional support, together with all Councillors who continue to be committed to the Shire of Lake Grace.

A handwritten signature in blue ink, appearing to read 'Chris Jackson', written over a faint circular stamp.

Chris Jackson  
**CHIEF EXECUTIVE OFFICER**



## PLAN FOR THE FUTURE OVERVIEW – 2006/07

Section 5.53 (e) of the Local Government Act requires that the Annual Report contains an overview of the plan for the future of the district which includes major initiatives that are proposed to commence or continue in the next financial year.

Council previously adopted a Principal Activities Plan in 2003 for the period 2003/2008. Refer to the 2007/2008 overview which provides details of a new plan for the future with development of a Strategic Plan.

For full details of Councils Plan for the Future, please refer to the Shire of Lake Grace document "Principal Activities Plan 2003/08".

<b>PRINCIPAL ACTIVITY</b>	<b>2006/07 PLAN BUDGET</b>	<b>2006/07 COUNCIL BUDGET</b>	<b>2006/07 ACTUAL EXPENDITURE</b>	<b>2006/07 ACTIVITY STATUS</b>
<b>Roads and Streets</b>				
Construction	\$442,695	\$2,227,612	\$1,761,927	Continuing
Maintenance	\$1,050,919	\$3,473,233	\$3,549,960	Continuing
<b>Asset Replacement</b>				
Motor Vehicle	\$279,500	\$460,000	\$342,654	Continuing
Road Making Plant	\$585,000	\$503,800	\$315,551	Continuing





## PLAN FOR THE FUTURE OVERVIEW – 2007/08

Council at its Ordinary meeting held 25 July 2007 approved of the establishment and process for the development of a Strategic Plan together with the appointment of Bandt Gatter & Associates to assist. The following Implementation Timetable has been adopted by Council.

ACTION	WHO	WHEN
1. Establishment of Planning Framework and Timetable. - Overview planning process; - Determine timetable; - Set meeting dates.	<ul style="list-style-type: none"> <li>• Sub-committee (e.g. CEO, Councillors)</li> <li>• Consultant Support</li> </ul>	August 2007
2. Conduct Planning to Plan Workshop - Overview proposed approach; - Identify key stakeholders information required; - Identify strategic information required.	<ul style="list-style-type: none"> <li>• Planning Committee</li> <li>• Consultant Support</li> </ul>	Completed
3. Undertake Stakeholder Consultations	<ul style="list-style-type: none"> <li>• Planning Team Members/ Consultant</li> </ul>	August 2007
4. Undertake Staff Consultations	<ul style="list-style-type: none"> <li>• Consultant</li> </ul>	August 2007
5. Collate Stakeholder Feedback	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	September 2007
6. Finalise details for first Planning meeting. - Environmental Analysis; - Stakeholder Analysis; - Vision; - Role.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	October 2007
7. Conduct First Strategic Planning meeting - Environmental Analysis; - Stakeholder Analysis; - Vision.	<ul style="list-style-type: none"> <li>• Planning Committee</li> <li>• Consultant (Facilitator)</li> </ul>	October 2007
8. Write up details of first workshop and circulate to Planning Team Members.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• (Consultant Support)</li> </ul>	October 2007
9. Conduct second planning meeting to: - Finalise vision; - Draft role; - Draft Key Success Factors; - Develop Key Goals.	<ul style="list-style-type: none"> <li>• Planning Committee</li> <li>• Consultant Support</li> </ul>	November 2007



ACTION	WHO	WHEN
10. Write up workshop details and circulate to planning team members.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	November 2007
11. Revise Planning Document following feedback from above and circulate to Planning Team.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	November 2007
12. Conduct third Planning Meeting to: <ul style="list-style-type: none"> <li>- Finalise strategies;</li> <li>- Set priority strategies;</li> <li>- Draft initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Planning Committee</li> <li>• Consultant Support</li> </ul>	November 2007
13. Write up workshop outcomes and circulate to staff and any other key stakeholders.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	November – December 2007
14. Collate feedback and finalise Strategic Plan.	<ul style="list-style-type: none"> <li>• Sub-committee</li> <li>• Consultant Support</li> </ul>	November – December 2007
15. Prepare Action Plans.	<ul style="list-style-type: none"> <li>• Administration Staff</li> <li>• Consultant support</li> </ul>	December 2007
16. Conduct fourth planning session and finalise Action Plans.  Prepare Communication and Implementation Plan.	<ul style="list-style-type: none"> <li>• Administration Staff</li> <li>• Consultant support</li> </ul>	December 2007
17. Prepare strategy to integrate Plan with customer and other survey and reporting mechanisms.	<ul style="list-style-type: none"> <li>• Administration Staff</li> </ul>	December 2007
18. Prepare Performance Agreements for Senior Management staff.	<ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Shire President</li> </ul>	December 2007/ January 2008

At July 2007 Ordinary meeting Council also adopted an Interim Strategic Plan for the period July to December 2007. Details of the plan are included in the minutes of the Council meeting.



---

## NATIONAL COMPETITION POLICY

### REPORTING REQUIREMENT

---

#### **Competition Reform**

National Competition Policy (NCP) is designed to enhance the efficiency and effectiveness of public sector agencies, and lead to more efficient use of all economic resources. There are a number of specific requirements placed on Local Government in the areas of competitive neutrality, legislation review and structural reform.

Each local government is required to report its progress in achieving NCP reforms in its annual report.

#### **Competitive Neutrality**

The principal of competitive neutrality is that government businesses should not enjoy a competitive advantage, or disadvantage, simply as a result of their public sector ownership. Measures should be introduced to effectively neutralise any net competitive advantage flowing from government ownership.

Competitive neutrality should apply to all business activities which generate a user pays income of over \$200,000 unless it can be shown it is not in the public interest.

A public benefit test is used to determine if competitive neutrality is in the public interest. This involves assessing the benefits of implementing competitive neutrality against the costs of the benefits. If the benefits exceed the costs, competitive neutrality should be implemented.

Council's annual reports must show that a public benefits test has been conducted for all of Council's significant business activities. They should also provide information on how a decision was reached to implement or not implement competitive neutrality in each case.

Should competitive neutrality be found to be in the public interest, the annual report must show the schedule for implementing it over the coming year.

As the Shire of Lake Grace does not have any "Significant Business Activities" with an annual user pays income exceeding \$200,000 per annum, this negates any further action or reporting obligations.



### **Legislation Review**

All local authorities are required to assess which of their Local Laws (formerly known as By-Laws) might impact on competition and to conduct a review of each to determine how any restrictive practises created by the Local Law might be overcome.

Reporting requirements to be disclosed in the Annual Report include:

1. A statement of which Local Laws have been reviewed, the conclusions of these reviews and the implementation schedule for any resultant recommendations.
2. A forward strategy for all Local Laws still to be reviewed, including a timetable of review and reform for these Local laws.
3. A statement indicating that the clause 7 legislation review principles have been complied with.

---

## **DISABILITY SERVICES PLAN**

---

Local governments in Western Australia have been required to have Disability Services Plans (DSP's) as part of the Disability Services Act (1993). DSP's have been in place for over 10 years and a great deal of progress has been made by local governments towards ensuring that their services, building and information are accessible to people with disabilities.

The Disability Services Act (1993) was amended in December 2004 and requires local governments to develop and implement Disability Access and Inclusion Plans (DAIP's). The Shire of Lake Grace is currently developing its DAIP.

---

## **RECORD KEEPING PLAN**

---

The Shire of Lake Grace is committed to ensure that all staff, contractors and Elected Members maintain good and compliant record keeping practices. This practice is in accordance with the State Records Act 2000, the Shire of Lake Grace Record Keeping Plan and Record Keeping Plan policy.

All staff are formally trained in the requirements of the Shire of Lake Grace Record Keeping Plan, and new staff are informed of the Record Keeping Plan during their induction process.

Record Keeping induction and training includes briefings for staff on the compliance requirements and obligations of the State Records Act 2000 and the operation of records management within the Shire of Lake Grace.



---

## BUILDING SERVICES

---

The role of the Building Department is to issue building licences to ensure compliance with statutory legislation.

The Shire of Lake Grace has an agreement with the Town of Narrogin for the provision of building surveyor services two days per month.

During the 2006/07 financial year, 29 building licences were issued throughout the Shire to a total value of \$1,045,683.

Darryle Baxter  
**BUILDING SURVEYOR**

---

## ENVIRONMENTAL HEALTH SERVICES

---

During the 2006-2007 year the following environmental health inspections and duties were carried out:

- inspection of food premises,
- sampling of drinking water;
- sampling of food,
- responding to food recalls notifications and other food enquiries,
- investigation of alleged food poisoning incidents,
- inspection of various accommodation facilities,
- investigation of infectious disease notifications,
- assessment and approval of on-site effluent disposal installations,
- monitoring of the Shire of Lake Grace's sewerage scheme,
- monitoring of the Shire of Lake Grace's effluent reuse scheme,
- monitoring of mosquito breeding in the Shire Lake Grace,
- monitoring of the Lake Grace and Newdegate swimming pools,
- inspection of rubbish tips,
- investigation of noise complaints,
- attending to other waste management issues,
- attending to relevant surveys and requests for information from the community and government departments.

The above duties were carried out with the aim to provide an adequate and safe standard of public an environmental health within the Shire of Lake Grace and to ensure that Council fulfils its obligations under the provisions of the Health Act and other relevant legislation.

Maurice Walsh  
**ENVIRONMENTAL HEALTH OFFICER**



---

## SECTION 2: FINANCIAL REPORT

---

### STATEMENTS & AUDITORS REPORT

### INDEX

#### SECTION 2

Statement by Chief Executive Officer .....	23
Income Statement by Nature or Type .....	24
Income Statement by Program .....	25
Balance Sheet .....	26
Statement of Changes in Equity .....	27
Cash Flow Statement .....	28
Rate Setting Statement .....	29
Notes to and Forming Part of the Financial Report .....	30-65
Independent Audit Report .....	66
Management Report .....	68



**SHIRE OF LAKE GRACE**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2007**  
**LOCAL GOVERNMENT ACT 1995**  
**LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**  
**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Lake Grace being the annual financial report and other information for the financial year ended 30th June 2007 are in my opinion properly drawn up to present fairly the financial position of the Shire of Lake Grace at 30th June 2007 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 13<sup>th</sup> day of August 2007.

A handwritten signature in blue ink, appearing to read 'Chris Jackson', with a long horizontal stroke extending to the right.

Chris Jackson  
**Chief Executive Officer**



**SHIRE OF LAKE GRACE  
INCOME STATEMENT  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2007**

	NOTE	2007 \$	2007 Budget \$	2006 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>				
Rates	23	2,347,476	2,356,058	2,294,702
Grants and Subsidies	29	3,353,360	4,516,073	2,158,022
Contributions, Reimbursements and Donations		332,600	424,122	333,112
Service Charges	25	7,114	7,478	9,080
Fees and Charges	28	258,131	227,307	196,348
Interest Earnings	2(a)	184,950	126,090	176,040
Other Revenue		53,009	139,190	85,605
		<u>6,536,640</u>	<u>7,796,318</u>	<u>5,252,909</u>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>				
Employee Costs		(1,861,750)	(1,530,013)	(1,469,913)
Materials and Contracts		(3,408,960)	(3,667,665)	(1,480,161)
Utilities		(134,605)	(214,455)	(204,475)
Depreciation	2(a)	(2,052,226)	(2,058,369)	(2,024,002)
Interest Expenses	2(a)	(77,402)	(70,902)	(61,242)
Insurance		(170,858)	(168,186)	(166,219)
Other Expenditure		(61,569)	(87,370)	(75,343)
		<u>(7,767,370)</u>	<u>(7,796,960)</u>	<u>(5,481,355)</u>
		(1,230,730)	(642)	(228,446)
Grants and Subsidies - non- operating	29	1,001,427	1,034,577	1,637,643
Profit on Asset Disposals	21	61,124	73,776	71,674
Loss on Asset Disposals	21	(62,544)	(7,084)	(16,287)
<b>NET RESULT</b>		<u>(230,723)</u>	<u>1,100,627</u>	<u>1,464,584</u>

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





**SHIRE OF LAKE GRACE  
INCOME STATEMENT  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2007**

	NOTE	2007 \$	2007 Budget \$	2006 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>				
Governance		18,990	12,057	14,885
General Purpose Funding		3,303,632	3,232,045	3,184,261
Law, Order, Public Safety		126,919	103,002	74,029
Health		6,551	11,995	5,800
Housing		114,548	185,980	78,133
Community Amenities		237,946	268,834	158,212
Recreation and Culture		756,661	1,692,176	715,589
Transport		2,536,058	3,026,514	2,320,983
Economic Services		239,485	310,167	202,910
Other Property and Services		258,401	61,901	207,424
	2 (a)	7,599,191	8,904,671	6,962,226
<b>EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE</b>				
Governance		(357,538)	(383,012)	(305,957)
General Purpose Funding		(230,970)	(214,494)	(181,614)
Law, Order, Public Safety		(167,602)	(171,409)	(138,509)
Health		(126,813)	(123,379)	(123,305)
Housing		(111,809)	(138,126)	(86,288)
Community Amenities		(358,074)	(518,321)	(324,982)
Recreation & Culture		(876,660)	(975,753)	(826,480)
Transport		(5,088,736)	(4,929,569)	(3,115,962)
Economic Services		(150,035)	(156,735)	(134,088)
Other Property and Services		(284,275)	(122,344)	(199,215)
	2 (a)	(7,752,512)	(7,733,142)	(5,436,400)
<b>BORROWING COSTS EXPENSE</b>				
Governance		(30,866)	(30,865)	(15,574)
Law, Order, Public Safety		(5)	(5)	(342)
Health		(7,699)	(7,699)	(9,597)
Housing		(7,371)	(7,318)	(8,787)
Community Amenities		(2,003)	(1,933)	(829)
Recreation & Culture		(29,458)	(23,082)	(26,113)
	2 (a)	(77,402)	(70,902)	(61,242)
<b>NET RESULT</b>		(230,723)	1,100,627	1,464,584

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



**SHIRE OF LAKE GRACE  
BALANCE SHEET  
AS AT 30TH JUNE 2007**

	NOTE	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	1,426,400	3,942,111
Trade and Other Receivables	4	775,678	332,636
Inventories	5	<u>36,105</u>	<u>31,343</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,238,183</u>	<u>4,306,090</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	36,064	36,064
Inventories	5	194,783	163,505
Property, Plant and Equipment	6	9,421,595	8,451,824
Infrastructure	7	<u>127,874,123</u>	<u>126,858,550</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>137,526,565</u>	<u>135,509,943</u>
<b>TOTAL ASSETS</b>		<u>139,764,748</u>	<u>139,816,033</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	326,966	380,276
Short Term Borrowings	9	7,265	0
Current Portion of Long Term Borrowings	10	133,923	117,920
Provisions	11	<u>161,001</u>	<u>136,076</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>629,155</u>	<u>634,272</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	10	1,274,217	1,116,464
Provisions	11	<u>64,127</u>	<u>37,325</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,338,344</u>	<u>1,153,789</u>
<b>TOTAL LIABILITIES</b>		<u>1,967,499</u>	<u>1,788,061</u>
<b>NET ASSETS</b>		<u>137,797,249</u>	<u>138,027,972</u>
<b>EQUITY</b>			
Retained Surplus		125,748,966	125,580,151
Reserves - Cash Backed	12	1,312,843	1,712,381
Reserves - Asset Revaluation	13	<u>10,735,440</u>	<u>10,735,440</u>
<b>TOTAL EQUITY</b>		<u>137,797,249</u>	<u>138,027,972</u>

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



**SHIRE OF LAKE GRACE  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2007**

	NOTE	2007 \$	2006 \$
<b>RETAINED SURPLUS</b>			
Balance as at 1 July 2006		125,580,151	124,084,212
Net Result		(230,723)	1,464,584
Transfer from/(to) Reserves		399,538	31,355
Balance as at 30 June 2007		<u>125,748,966</u>	<u>125,580,151</u>
<b>RESERVES - CASH BACKED</b>			
Balance as at 1 July 2006		1,712,381	1,743,736
Amount Transferred (to)/from Retained Surplus		<u>(399,538)</u>	<u>(31,355)</u>
Balance as at 30 June 2007	12	<u>1,312,843</u>	<u>1,712,381</u>
<b>RESERVES - ASSET REVALUATION</b>			
Balance as at 1 July 2006		10,735,440	10,735,440
Revaluation Increment		0	0
Revaluation Decrement		0	0
Balance as at 30 June 2007	13	<u>10,735,440</u>	<u>10,735,440</u>
<b>TOTAL EQUITY</b>		<u><u>137,797,249</u></u>	<u><u>138,027,972</u></u>

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



**SHIRE OF LAKE GRACE  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2007**

	NOTE	2007 \$	2007 Budget \$	2006 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		2,327,341	2,404,810	2,270,811
Grants and Subsidies - operating		2,943,136	4,516,073	2,158,022
Contributions, Reimbursements & Donations		332,600	424,122	109,857
Service Charges		7,114	88,560	9,080
Fees and Charges		258,143	229,160	196,118
Interest Earnings		184,950	126,090	176,270
Goods and Services Tax		0	0	1,809
Other		53,009	139,190	85,605
		<u>6,106,293</u>	<u>7,928,005</u>	<u>5,007,572</u>
<b>Payments</b>				
Employee Costs		(1,810,233)	(1,476,714)	(1,435,855)
Materials and Contracts		(3,470,292)	(3,821,635)	(1,159,255)
Utilities (gas, electricity, water, etc)		(134,605)	(164,455)	(204,475)
Insurance		(170,858)	(168,186)	(166,219)
Interest		(73,932)	(71,688)	(54,806)
Other		(61,569)	(87,370)	(75,343)
		<u>(5,721,489)</u>	<u>(5,790,048)</u>	<u>(3,095,953)</u>
<b>Net Cash Provided By (Used In)</b>				
<b>Operating Activities</b>	14(b)	<u>384,804</u>	<u>2,137,957</u>	<u>1,911,619</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Development of Land Held for Resale		(31,278)	0	0
Payments for Purchase of Property, Plant & Equipment		(1,864,310)	(3,235,873)	(954,483)
Payments for Construction of Infrastructure		(2,433,726)	(3,406,982)	(1,911,223)
Advances to Community Groups		(15,000)	0	0
Grants/Contributions for the Development of Assets		1,001,427	1,034,577	1,637,643
Proceeds from Sale of Plant & Equipment		259,046	344,000	346,271
		<u>259,046</u>	<u>344,000</u>	<u>346,271</u>
<b>Net Cash Provided By (Used In)</b>				
<b>Investing Activities</b>		<u>(3,083,841)</u>	<u>(5,264,278)</u>	<u>(881,792)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(120,222)	(117,916)	(113,536)
Proceeds from Self Supporting Loans		2,305	0	2,598
Proceeds from New Debentures		293,978	393,978	445,000
		<u>293,978</u>	<u>393,978</u>	<u>445,000</u>
<b>Net Cash Provided By (Used In)</b>				
<b>Financing Activities</b>		176,061	276,062	334,062
<b>Net Increase (Decrease) in Cash Held</b>		(2,522,976)	(2,850,259)	1,363,889
Cash at Beginning of Year		3,942,111	3,942,111	2,578,222
<b>Cash and Cash Equivalents</b>				
<b>at the End of the Year</b>	14(a)	<u>1,419,135</u>	<u>1,091,852</u>	<u>3,942,111</u>

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



**SHIRE OF LAKE GRACE  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2007**

	<b>NOTE</b>	<b>2007 \$</b>	<b>2007 Budget</b>
<b>REVENUES</b>			
Governance		18,990	12,057
General Purpose Funding		1,639,356	1,567,740
Law, Order, Public Safety		126,919	103,002
Health		6,551	11,995
Housing		114,547	185,980
Community Amenities		153,934	183,312
Recreation and Culture		157,473	1,085,945
Transport		2,536,058	3,026,511
Economic Services		239,485	310,167
Other Property and Services		258,401	61,904
		<u>5,251,714</u>	<u>6,548,613</u>
<b>EXPENSES</b>			
Governance		(388,404)	(413,877)
General Purpose Funding		(230,970)	(214,494)
Law, Order, Public Safety		(167,607)	(171,414)
Health		(134,512)	(131,076)
Housing		(119,317)	(145,444)
Community Amenities		(360,077)	(520,254)
Recreation & Culture		(906,221)	(998,837)
Transport		(5,088,736)	(4,929,569)
Economic Services		(150,035)	(156,735)
Other Property and Services		(284,275)	(122,344)
		<u>(7,830,154)</u>	<u>(7,804,044)</u>
<b>Adjustments for Cash Budget Requirements:</b>			
<b>Non-Cash Expenditure and Revenue</b>			
(Profit)/Loss on Asset Disposals	21	1,420	(66,692)
Movement in Accrued Interest		3,470	0
Movement in Accrued Expenditure		(33,106)	0
Movement in Accrued Salaries and Wages		(210)	0
Movement in Employee Benefit Provisions		51,726	0
Depreciation on Assets		2,052,225	2,058,369
<b>Capital Expenditure and Revenue</b>			
Purchase Land Held for Resale	5	(31,278)	0
Purchase Land and Buildings	6	(1,104,930)	(2,192,933)
Purchase Infrastructure Assets - Roads	7	(1,685,447)	(2,027,612)
Purchase Infrastructure Assets - Other	7	(748,279)	(1,379,370)
Purchase Plant and Equipment	6	(719,245)	(1,015,525)
Purchase Furniture and Equipment	6	(40,135)	(27,415)
Proceeds from Disposal of Assets	21	259,046	344,000
Self-Supporting Loan Payout		(15,000)	0
Repayment of Debentures	22	(119,980)	(117,916)
Proceeds from New Debentures	22	293,978	393,978
Self-Supporting Loan Principal Income		2,305	0
Transfers to Reserves (Restricted Assets)	12	(255,791)	(253,843)
Transfers from Reserves (Restricted Assets)	12	655,329	980,134
Transfer (Surplus)/Deficit to Restricted Cash (Housing)		(32,653)	0
Estimated Surplus/(Deficit) July 1 B/Fwd		2,204,198	2,204,198
Estimated Surplus/(Deficit) June 30 C/Fwd		506,681	0
<b>Amount Required to be Raised from Rates</b>	<b>23</b>	<u><b>(2,347,476)</b></u>	<u><b>(2,356,058)</b></u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**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 applicable Australian Accounting Standards, 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.

**Compliance with IFRSs**

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being AIFRSs. The financial report of the Shire complies with IFRSs and interpretations adopted by the International Accounting Standards Board except as follows:

- AIFRSs include specific provisions relating to not-for-profit entities. These are not included in IFRSs.
- Australian Accounting Standard AAS27 'Financial Reporting by Local Governments' also applies and there is no equivalent standard in IFRSs.

The principal areas of non-compliance with IFRSs include:

- the recognition of non-reciprocal revenue;
- the definition of value in use for the purposes of estimating the recoverable amount of impaired assets; and
- the offsetting of asset revaluation increments and decrements on a class of asset basis rather than individual asset basis.

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 2007.

Council is of the view the new standards or amendments will have no direct impact on the amounts included in the financial report although the changes may impact upon the way in which some financial information is disclosed.

**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 20 to this financial report.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(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 Balance Sheet are stated inclusive of applicable GST.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents in the balance sheet 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 balance sheet.

**(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.

Collectibility 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.

**(f) Inventories**

**General**

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

**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 Income Statement as at the time of signing a binding contract of sale.

**(g) Fixed Assets**

**Initial Recognition** consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as 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.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

**Land under Roads**

Land under roads is excluded from infrastructure in accordance with the transition arrangements available under AASB 1045 and in accordance with legislative requirements.

**Other**

As of 1 July 2004, Council elected to revert to the cost basis for measuring land and buildings and all infrastructure assets that were being carried at a revalued amount at the immediately preceding reporting date being 30 June, 2004.

This was achieved by deeming the carrying amount of the non-current assets comprising the particular class to be their cost and complied with the requirements on application of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*'.

**(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 construction/road base original surfacing and major re-surfacing	not depreciated 50 years
- bituminous seals	20 years
Gravel roads clearing and earthworks construction/road base gravel sheet	not depreciated 50 years 12 years
Formed roads (unsealed) clearing and earthworks construction/road base	not depreciated 50 years
Footpaths - slab	40 years

**(i) Investments and Other Financial Assets**

Financial Assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Council determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.





**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Impairment**

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

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

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

**(k) 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.

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

**(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) Annual Leave and Long Service Leave (Long-term Benefits)**

The provision for employees' benefits for annual leave and long service leave expected to be settled more than 12 months from the reporting date represents the present value of the estimated future cash outflows to be made by the employer resulting from the employees service to balance date.

**(m) 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 sheet date.

**Borrowing Costs**

Borrowing costs are recognised as an expense when incurred.

**(n) Leases**

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



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**(o) Joint Venture**

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Balance Sheet and Income Statement. Information about the joint venture is set out in Note 17.

**(p) Rates, Grants, Donations and Other Contributions**

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

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

**(q) Superannuation**

The Shire of Lake Grace contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes

**(r) Interest Rate Risk**

Information on interest rate risk as it applies to financial instruments is disclosed in Note 34.

**(s) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial report.

The one major concentration of credit risk within the municipality is in relation to its cash and cash equivalent deposits which are all with the one financial institution.

**(t) Liquidity Risk**

The Council's liquidity risk is managed via the use of its cash and cash equivalent balances, other financial assets and borrowing policy.

**(u) Fair Value**

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

**(v) Rounding Off Figures**

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

**(w) Comparative Figures**

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



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

<b>2. REVENUES AND EXPENSES</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Result from Ordinary Activities</b>		
The Result from Ordinary Activities includes:		
(i) Charging as an Expense:		
<b>Auditors Remuneration</b>		
- Audit	8,625	11,228
- Other Services	4,800	4,225
<b>Depreciation</b>		
Buildings	174,050	167,518
Furniture and Equipment	39,471	54,489
Plant and Equipment	420,107	407,910
Roads	1,286,595	1,266,978
Infrastructure Other	132,003	127,107
	<u>2,052,226</u>	<u>2,024,002</u>
<b>Interest Expenses</b>		
Finance Lease Charges	0	0
Debentures ( <i>refer Note 22(a)</i> )	77,402	61,242
	<u>77,402</u>	<u>61,242</u>
<b>Rental Charges</b>		
- Operating Leases	<u>0</u>	<u>0</u>
(ii) Crediting as Revenue:		
	<b>2007</b>	<b>2007</b>
	<b>\$</b>	<b>Budget</b>
		<b>\$</b>
<b>Interest Earnings</b>		
Investments		
- Reserve Funds	92,078	46,195
- Other Funds	77,057	72,000
Other Interest Revenue ( <i>refer note 27</i> )	15,815	7,895
	<u>184,950</u>	<u>126,090</u>
		<u>176,040</u>

**(b) Statement of Objective**

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

**GOVERNANCE**

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

Activities: Administration and operation of facilities and services to members of Council. Other costs that relate to the task to assisting elected members and ratepayers on materials which do not concern specific council services.

**GENERAL PURPOSE FUNDING**

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

Activities: Rating, General Purpose Government grants and the earning of interest.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**2. REVENUES AND EXPENSES (Continued)**

**(b) Statement of Objective (continued)**

**LAW, ORDER, PUBLIC SAFETY**

Objective: To provide bushfire prevention services and animal (dog) control services.

Activities: Supervision and enforcement of the Bushfire Act and Dog Act.

**HEALTH**

Objective: To provide for an operational framework for good community health in conjunction with the Health Department of WA.

Activities: Health Inspection Services regarding food quality, pest control etc and the provision of a Doctor and Dental surgery facilities and Child Health Clinic.

**HOUSING**

Objective: To help to ensure that adequate housing is available to staff and the community.

Activities: Provision and maintenance of staff houses, Doctor's residence, Aged Person Units and community accommodation units.

**COMMUNITY AMENITIES**

Objective: To provide community amenities and other infrastructure as required by the community.

Activities: Rubbish collection and disposal, maintenance of rubbish tips and chemical drum recycling. Administration of the Town Planning Schemes for the four townsites within the Shire and the whole of the Shire including the provision of residential, commercial and industrial land, townscaping facilities and the maintenance of cemeteries for each town.

**RECREATION AND CULTURE**

Objective: To establish and manage efficiently sport and recreation infrastructure and resources which will help the social well being and the health of various communities of the Shire.

Activities: The provision and maintenance, in conjunction with the various communities, of public halls, recreation grounds, sports pavilions etc, the Lake Grace Swimming Pool and the operating of public libraries in conjunction with the Education Department.

**TRANSPORT**

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

Activities: Construction and maintenance of streets, roads, bridges; the cleaning and lighting of streets and the maintenance of council depots and aerodromes

**ECONOMIC SERVICES**

Objective: To help promote the Shire and improve its economic wellbeing.

Activities: The regulation and provision of tourism, area promotion activities, building control noxious weeds and the provision of water standpipes.

**OTHER PROPERTY & SERVICES**

Objective: To provide other services etc not elsewhere included.

Activities: Private works operations, Council plant repairs and operation costs.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**2. REVENUES AND EXPENSES (Continued)**

	2007	2006
	\$	\$
<b>(c) Conditions Over Contributions</b>		
Grants recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period (i.e. opening balances).		
Town Salinity Program	8,550	8,550
Regional Road Group	0	13,742
Dunn Rock Community Dam	67,513	0
Newdegate Town Dam	48,752	0
Roads to Recovery (06/07)	15,277	89,022
Roads to Recovery Supplementary Funding	520,178	0
Swimming Pool Hoist	0	5,000
Mapping People & Places	15,000	0
Transcribe History Tapes	0	3,000
	675,270	119,314
Add:		
New grants which were recognised as revenues during the reporting period and which had not yet been fully expended by the contributor.		
Roads to Recovery Supplementary Funding	0	520,178
Dunn Rock Community Dam	30,000	111,949
Newdegate Town Dam	0	48,752
Mapping People & Places	0	15,000
Magenta Community Dam	59,000	0
South East Newdegate Community Dam	89,000	0
Lake Grace Water Harvesting Project	39,482	0
Roads to Recovery (07/08)	501,526	0
Regional Road Group - Newdegate North Road	52,000	0
Flood Mitigation Funding	19,000	0
Country Housing Authority	25,000	0
Lake King Toilet Block	25,000	0
Community Safety & Crime Prevention Plan	31,200	0
RSL Honour Board Upgrade	5,477	0
Emergency Management Plan	13,636	0



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**2. REVENUES AND EXPENSES (Continued)**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Conditions Over Contributions (continued)</b>		
Less:		
Grants which were recognised as revenues in a previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Regional Road Group	0	(13,742)
Roads to Recovery (06/07)	(15,277)	(73,745)
Roads to Recovery (07/08)	(475,601)	0
Roads to Recovery Supplementary Funding	(457,273)	0
Swimming Pool Hoist	0	(5,000)
Transcribe History Tapes	0	(3,000)
Magenta Community Dam	(46,458)	0
Newdegate Town Dam	(38,100)	0
South East Newdegate Community Dam	(45,081)	0
Dunn Rock Community Dam	(97,513)	(44,436)
Mapping People & Places	(15,000)	0
Lake Grace Water Harvesting Project	(14,350)	0
Community Safety & Crime Prevention Plan	(11,200)	0
RSL Honour Board Upgrade	(1,282)	0
	<u>348,456</u>	<u>675,270</u>
Closing balances of unexpended grants		
	<u>348,456</u>	<u>675,270</u>
Comprises:		
Rural Towns Program	8,550	8,550
Magenta Community Dam	12,542	0
Newdegate Town Dam	10,652	48,752
South East Newdegate Community Dam	43,919	0
Dunn Rock Community Dam	0	67,513
Lake Grace Water Harvesting Project	25,132	0
Roads to Recovery (Supplementary Funding)	62,905	535,455
Mapping People & Places	0	15,000
Roads to Recovery (07/08)	25,924	0
Regional Road Group - Newdegate North	52,000	0
Flood Mitigation Funding	19,000	0
Country Housing Authority	25,000	0
Lake King Toilet Block	25,000	0
Community Safety & Crime Prevention	20,000	0
RSL Honour Board Upgrade	4,196	0
Emergency Management Plan	13,636	0
	<u>348,456</u>	<u>675,270</u>
	<u>348,456</u>	<u>675,270</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**3. CASH AND CASH EQUIVALENTS**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Unrestricted	645	1,065,486
Restricted	<u>1,425,755</u>	<u>2,876,625</u>
	<u>1,426,400</u>	<u>3,942,111</u>

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

LOGCHOP Housing	60,921	61,743
Joint Venture Housing	12,811	859
Lake Village Housing	25,658	21,235
Unspent Grants - Rural Towns Program	8,550	8,550
Lakes LCDC	4,973	4,973
Unspent Grants - Roads To Recovery	0	593,923
Unspent Grants - Mapping People & Places	0	15,000
Unspent Grants - Dunn Rock Dam	0	86,385
Unspent Grants - Newdegate Town Dam	0	48,752
Unspent Loan - Newdegate Toilet Block	0	4,308
Unspent Loan - Office Redevelopment	0	318,518
Emergency Services Reserve	26,715	24,880
Housing Reserve	199,250	283,414
Swimming Pool Reserve	7,198	6,704
Land Development Reserve	172,832	160,961
Long Service Leave Reserve	64,062	59,662
Plant Replacement Reserve	117,370	117,027
Recreation Reserve	535	498
Works and Services Reserve	181,540	383,612
Newdegate Hall Reserve	184,870	152,256
Lake Grace TV Reserve	2,066	3,581
Newdegate TV Reserve	285	
Varley Sullage Reserve	1,205	1,122
Lake Grace Sport & Recreation Specified Area Rate Reserve	130	29,047
Lake King Sport & Recreation Specified Area Rate Reserve	1,358	
Lake Grace Sewerage Scheme	296,110	241,897
Computer Upgrade Reserve	15,861	15,492
Office Redevelopment Reserve	18,699	216,580
Photocopier Upgrade Reserve	5,369	5,000
Newdegate Sports Dam Reserve	<u>17,387</u>	<u>10,646</u>
	<u>1,425,755</u>	<u>2,876,625</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**4. TRADE AND OTHER RECEIVABLES**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Rates Outstanding	75,422	56,674
Less: Excess Rates Receipts	0	(1,387)
Sundry Debtors	688,747	340,240
Less: Provision for Doubtful Debts	(1,682)	(63,399)
ESL Receivable	0	508
GST Receivable	496	0
Self Supporting Loans	12,695	0
	<u>775,678</u>	<u>332,636</u>
 <b>Non-Current</b>		
Rates Outstanding - Pensioners	6,765	6,765
Loans - Western Power	29,299	29,299
	<u>36,064</u>	<u>36,064</u>

**5. INVENTORIES**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Fuel and Materials	36,105	31,343
	<u>36,105</u>	<u>31,343</u>
 <b>Non-Current</b>		
Land Held for Resale - Cost		
Cost of Acquisition	163,505	163,505
Development Costs	31,278	0
	<u>194,783</u>	<u>163,505</u>





**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Land and Buildings - Cost	9,250,965	8,150,410
Less Accumulated Depreciation	<u>(2,234,903)</u>	<u>(2,060,803)</u>
	7,016,062	6,089,607
Furniture and Equipment - Cost	561,411	517,946
Less Accumulated Depreciation	<u>(429,184)</u>	<u>(389,677)</u>
	132,227	128,269
Plant and Equipment - Cost	4,294,060	4,074,358
Less Accumulated Depreciation	<u>(2,020,754)</u>	<u>(1,840,410)</u>
	2,273,306	2,233,948
	<u>9,421,595</u>	<u>8,451,824</u>

Effective from 1 July 2004, Council deemed the carrying amount of land and buildings previously carried at a revalued amount to be their cost.

This was in accordance with the exemptions on application of Australian Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. These assets, along with all other plant and equipment asset classes, are now being carried at cost. Whilst they are not subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 'Impairment of Assets'.

**Movements in Carrying Amounts**

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

	<b>Land &amp; Buildings \$</b>	<b>Furniture &amp; Equipment \$</b>	<b>Plant &amp; Equipment \$</b>	<b>Total \$</b>
Balance as at 1 July 2006	6,089,607	128,269	2,233,948	8,451,824
Additions	1,104,930	40,135	719,245	1,864,310
(Disposals)	0	0	(260,466)	(260,466)
Depreciation (Expense)	(174,050)	(39,471)	(420,107)	(633,628)
Other Movements	(4,425)	3,294	686	(445)
Balance as at 30 June 2007	<u>7,016,062</u>	<u>132,227</u>	<u>2,273,306</u>	<u>9,421,595</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**7. INFRASTRUCTURE**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>INFRASTRUCTURE</b>		
Roads - Cost	186,151,437	184,469,779
Less Accumulated Depreciation	<u>(63,852,176)</u>	<u>(62,565,581)</u>
	122,299,261	121,904,198
Other - Cost	6,874,684	6,122,172
Less Accumulated Depreciation	<u>(1,299,822)</u>	<u>(1,167,820)</u>
	5,574,862	4,954,352
	<u>127,874,123</u>	<u>126,858,550</u>

Effective from 1 July 2004, Council deemed the carrying amount of all infrastructure assets, other than roads, carried at a revalued amount, to be their cost.

This was in accordance with the exemptions on application of Australian Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. These assets, along with all other infrastructure asset classes, are now being carried at cost. Whilst they are not subject to a policy of regular revaluation, they are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 'Impairment of Assets'.

	<b>Roads</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 July 2006	121,904,198	4,954,352	126,858,550
Additions	1,685,447	748,279	2,433,726
Depreciation (Expense)	(1,286,595)	(132,002)	(1,418,597)
Other Movements	(3,789)	4,233	444
Balance as at 30 June 2007	<u>122,299,261</u>	<u>5,574,862</u>	<u>127,874,123</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**8. TRADE AND OTHER PAYABLES**

	2007	2006
	\$	\$
<b>Current</b>		
Trade Creditors	283,508	306,768
Accrued Expenditure	0	33,106
Unspent Grant	8,550	8,550
Accrued Interest on Loans	27,110	23,640
Accrued Salaries and Wages	7,304	7,514
Other Accruals	494	698
	<u>326,966</u>	<u>380,276</u>

**9. SHORT-TERM BORROWINGS**

	2007	2006
	\$	\$
<b>Unsecured</b>		
Bank Overdraft	<u>7,265</u>	<u>0</u>
<b>Represented by:</b>		
Unrestricted - Municipal bank overdraft	373,005	0
Restricted funds held	<u>(365,740)</u>	<u>0</u>
	<u>7,265</u>	<u>0</u>

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

Unspent Loan - Lake Grace Sporting Precinct Development	25,834	0
Unspent Grants - Magenta Community Dam	12,542	0
Unspent Grants - Newdegate Town Dam	10,652	0
Unspent Grants - South East Newdegate Community Dam	43,919	0
Unspent Grants - Lake Grace Water Harvesting Project	25,132	0
Unspent Grants - Roads to Recovery (Supplementary Funding)	62,905	0
Unspent Grants - Roads to Recovery (07/08)	25,924	0
Unspent Grants - Regional Road Group - Newdegate North	52,000	0
Unspent Grants - Flood Mitigation Funding	19,000	0
Unspent Grants - Country Housing Authority	25,000	0
Unspent Grants - Lake King Toilet Block	25,000	0
Unspent Grants - Community Safety & Crime Prevention	20,000	0
Unspent Grants - RSL Honour Board Upgrade	4,196	0
Unspent Grants - Emergency Management Plan	13,636	0
	<u>365,740</u>	<u>0</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**10. LONG-TERM BORROWINGS**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Secured by Floating Charge		
Debentures	133,923	117,920
Lease Liability	0	0
	<u>133,923</u>	<u>117,920</u>
<b>Non-Current</b>		
Secured by Floating Charge		
Debentures	1,274,217	1,116,464
Lease Liability	0	0
	<u>1,274,217</u>	<u>1,116,464</u>

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Provision for Annual Leave	79,756	73,687
Provision for Long Service Leave	81,245	62,389
	<u>161,001</u>	<u>136,076</u>
<b>Non-Current</b>		
Provision for Annual Leave	33,884	18,230
Provision for Long Service Leave	30,243	19,095
	<u>64,127</u>	<u>37,325</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED**

	2007 \$	2007 Budget \$	2006 \$
<b>(a) Emergency Services Reserve</b>			
Opening Balance	24,881	24,881	23,771
Amount Set Aside / Transfer to Reserve	1,835	1,046	1,110
Amount Used / Transfer from Reserve	0	0	0
	<u>26,716</u>	<u>25,927</u>	<u>24,881</u>
<b>(b) Housing Reserve</b>			
Opening Balance	283,414	283,414	270,765
Amount Set Aside / Transfer to Reserve	64,095	55,390	12,649
Amount Used / Transfer from Reserve	(148,259)	(148,259)	0
	<u>199,250</u>	<u>190,545</u>	<u>283,414</u>
<b>(c) Swimming Pool Reserve</b>			
Opening Balance	6,703	6,704	6,405
Amount Set Aside / Transfer to Reserve	495	282	299
Amount Used / Transfer from Reserve	0	0	0
	<u>7,198</u>	<u>6,986</u>	<u>6,704</u>
<b>(d) Land Development Reserve</b>			
Opening Balance	160,961	160,961	150,607
Amount Set Aside / Transfer to Reserve	11,871	50,921	10,354
Amount Used / Transfer from Reserve	0	(60,000)	0
	<u>172,832</u>	<u>151,882</u>	<u>160,961</u>
<b>(e) Long Service Leave Reserve</b>			
Opening Balance	59,662	59,662	56,999
Amount Set Aside / Transfer to Reserve	4,400	2,621	2,663
Amount Used / Transfer from Reserve	0	0	0
	<u>64,062</u>	<u>62,283</u>	<u>59,662</u>
<b>(f) Plant Replacement Reserve</b>			
Opening Balance	117,027	117,027	205,346
Amount Set Aside / Transfer to Reserve	8,094	5,041	9,593
Amount Used / Transfer from Reserve	(7,751)	(92,000)	(97,912)
	<u>117,370</u>	<u>30,068</u>	<u>117,027</u>
<b>(g) Recreation Reserve</b>			
Opening Balance	498	498	476
Amount Set Aside / Transfer to Reserve	37	22	22
Amount Used / Transfer from Reserve	0	0	0
	<u>535</u>	<u>520</u>	<u>498</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED (continued)**

	2007 \$	2007 Budget \$	2006 \$
<b>(h) Works and Service Reserve</b>			
Opening Balance	383,612	383,612	395,383
Amount Set Aside / Transfer to Reserve	13,368	13,563	18,471
Amount Used / Transfer from Reserve	<u>(215,441)</u>	<u>(265,000)</u>	<u>(30,242)</u>
	<u>181,539</u>	<u>132,175</u>	<u>383,612</u>
<b>(i) Newdegate Hall Reserve</b>			
Opening Balance	152,256	152,256	126,353
Amount Set Aside / Transfer to Reserve	52,614	41,408	45,902
Amount Used / Transfer from Reserve	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>
	<u>184,870</u>	<u>173,664</u>	<u>152,255</u>
<b>(j) Lake Grace TV Reserve</b>			
Opening Balance	3,581	3,581	2,569
Amount Set Aside / Transfer to Reserve	149	81	1,750
Amount Used / Transfer from Reserve	<u>(1,664)</u>	<u>(1,664)</u>	<u>(738)</u>
	<u>2,066</u>	<u>1,998</u>	<u>3,581</u>
<b>(k) Newdegate TV Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	285	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>285</u>	<u>0</u>	<u>0</u>
<b>(l) Lake King TV Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(m) Varley Sullage Reserve</b>			
Opening Balance	1,122	1,122	1,072
Amount Set Aside / Transfer to Reserve	83	0	50
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>1,205</u>	<u>1,122</u>	<u>1,122</u>
<b>(n) Lake Grace Sewerage Scheme Reserve</b>			
Opening Balance	241,898	241,898	197,083
Amount Set Aside / Transfer to Reserve	62,493	52,922	44,815
Amount Used / Transfer from Reserve	<u>(8,280)</u>	<u>(150,000)</u>	<u>0</u>
	<u>296,111</u>	<u>144,820</u>	<u>241,898</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED (continued)**

	2007 \$	2007 Budget \$	2006 \$
<b>(o) Lake Grace Recreation &amp; Culture Specified Area Rate Reserve</b>			
Opening Balance	29,047	29,047	33,816
Amount Set Aside / Transfer to Reserve	130	0	29,047
Amount Used / Transfer from Reserve	<u>(29,047)</u>	<u>(29,047)</u>	<u>(33,816)</u>
	<u>130</u>	<u>0</u>	<u>29,047</u>
<b>(p) Lake Grace Resource Centre Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(q) Newdegate Recreation &amp; Culture Specified Area Rate Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(r) Newdegate Indoor Rec Centre Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	609	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>609</u>	<u>0</u>	<u>0</u>
<b>(s) Newdegate Resource Centre Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>
<b>(t) Lake King Recreation &amp; Culture Specified Area Rate Reserve</b>			
Opening Balance	0		14,763
Amount Set Aside / Transfer to Reserve	15,521	14,163	14,166
Amount Used / Transfer from Reserve	<u>(14,163)</u>	<u>(14,163)</u>	<u>(28,929)</u>
	<u>1,358</u>	<u>0</u>	<u>0</u>
<b>(u) Varley Recreation &amp; Culture Specified Area Rate Reserve</b>			
Opening Balance	0	0	2,472
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(2,472)</u>
	<u>0</u>	<u>0</u>	<u>0</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED (continued)**

	2007 \$	2007 Budget \$	2006 \$
<b>(v) Computer System Upgrade Reserve</b>			
Opening Balance	15,492	15,492	43,548
Amount Set Aside / Transfer to Reserve	11,092	10,677	12,035
Amount Used / Transfer from Reserve	<u>(10,724)</u>	<u>0</u>	<u>(40,090)</u>
	<u>15,860</u>	<u>26,169</u>	<u>15,493</u>
<b>(w) Office Redevelopment Reserve</b>			
Opening Balance	216,580	216,580	206,914
Amount Set Aside / Transfer to Reserve	2,119	709	9,666
Amount Used / Transfer from Reserve	<u>(200,000)</u>	<u>(200,000)</u>	<u>0</u>
	<u>18,699</u>	<u>17,289</u>	<u>216,580</u>
<b>(x) Photocopier Upgrade Reserve</b>			
Opening Balance	5,000	5,000	0
Amount Set Aside / Transfer to Reserve	369	0	5,000
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5,369</u>	<u>5,000</u>	<u>5,000</u>
<b>(y) Newdegate Sports Dam Reserve</b>			
Opening Balance	10,646	10,646	5,394
Amount Set Aside / Transfer to Reserve	6,132	5,000	5,252
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>16,778</u>	<u>15,646</u>	<u>10,646</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u>1,312,842</u>	<u>986,094</u>	<u>1,712,381</u>

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 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:

**Emergency Services Reserve**

- to be used to fund volunteer bush fire brigade and other emergency services.

**Housing Reserve**

- to be used for additions and/or renovations of existing Council staff houses and the acquisition of new houses.

**Swimming Pool (Lake Grace) Reserve**

- to be used for the repair and improvement of the swimming pool and associated plant.

**Land Development Reserve**

- to be used for the development of new residential, commercial and industrial land.





**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED (continued)**

Long Service Leave Reserve

- to be used to fund long service leave entitlements of staff.

Plant Replacement Reserve

- to be used to for the replacement of major items of roadmaking plant.

Recreation Reserve

- to be used for the development of sport and recreation facilities.

Works and Services Reserve

- to be used for the expenditure associated with road and street works, including drainage.

Newdegate Hall Reserve

- to be used for the repair, renovation, addition to and improvements of the Newdegate Town Hall.

Lake Grace TV Reserve

- to be used for the maintenance and upgrade of television and radio services in the Lake Grace townsite.

Newdegate TV Reserve

- to be used for the maintenance and upgrade of television and radio services in the Newdegate townsite.

Lake King TV Reserve

- to be used for the maintenance and upgrade of television and radio services in the Lake King townsite

Varley Sullage Scheme Reserve

- to be used for the expenditure associated with the Varley Sullage Scheme.

Lake Grace Sewerage Scheme Reserve

- to be used for the renovation, addition and improvements of the Lake Grace Sewerage System.

Lake Grace Recreation & Culture Specified Area Rate Reserve

- to be used to meet expenditure associated with sport and recreation costs in the Lake Grace Specified Area.

Lake Grace (Specified Area Rate) Resource Centre Reserve

- to be used to meet loan servicing costs of borrowings raised for the Resource Centre.

Newdegate Recreation & Culture Specified Area Rate Reserve

- to be used to meet expenditure associated with sport and recreation costs in the Newdegate Specified Area.

Newdegate (Specified Area Rate) Resource Centre Reserve

- to be used to meet loan servicing costs of borrowings raised for the Resource Centre.

Newdegate (Specified Area Rate) Indoor Rec Centre Reserve

- to be used to meet loan servicing costs of borrowings raised for the Recreation Centre.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**12. RESERVES - CASH BACKED (continued)**

Varley Recreation & Culture Specified Area Rate Reserve

- to be used to meet expenditure associated with sport and recreation costs in the Varley Specified Area.

Computer System Upgrade Reserve

- to be used to upgrade Council's existing IT Vision Management Software.

Office Redevelopment Reserve

- to be used to upgrade Council Chambers and Administration Centre in Lake Grace.

Photocopier Replacement Reserve

- to be used to fund the replacement of Council's photocopier.

Newdegate Sports Dam Reserve

- a contribution of \$5,000 per year (to be capped at \$20,000) for upgrade works to the Newdegate Sports Dam.

**13. RESERVES - ASSET REVALUATION**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserves have arisen on revaluation of the following classes of assets:		
<b>(a) Land and Buildings</b>		
Balance as at 1 July 2006	0	0
Revaluation Increment	0	0
Revaluation Decrement	<u>0</u>	<u>0</u>
Balance as at 30 June 2007	<u>0</u>	<u>0</u>
<b>(b) Roads</b>		
Balance as at 1 July 2006	10,735,440	10,735,440
Revaluation Increment	0	0
Revaluation Decrement	<u>0</u>	<u>0</u>
Balance as at 30 June 2007	<u>10,735,440</u>	<u>10,735,440</u>
<b>TOTAL ASSET REVALUATION RESERVES</b>	<u><u>10,735,440</u></u>	<u><u>10,735,440</u></u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**14. 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:

	2007 \$	2007 Budget \$	2006 \$
Cash and Cash Equivalents	<u>1,426,400</u>	<u>1,091,852</u>	<u>3,942,111</u>

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

Net Result	(230,723)	1,100,627	1,464,584
Depreciation	2,052,226	2,058,369	2,024,002
Impairment (Loss)/Reversal			
(Increase)/Decrease in Receivables	(430,347)	(66,692)	(245,338)
(Profit)/Loss on Sale of Asset	1,420	138,142	(55,387)
(Increase)/Decrease in Inventories	(4,762)	(7,544)	(9,872)
Increase/(Decrease) in Payables	(53,100)	(57,752)	337,214
Increase/(Decrease) in Employee Provisions	51,517	2,384	34,059
Grants/Contributions for the Development of Assets	<u>(1,001,427)</u>	<u>(1,034,577)</u>	<u>(1,637,643)</u>
<b>Net Cash from Operating Activities</b>	<u>384,804</u>	<u>2,132,957</u>	<u>1,911,619</u>

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

Bank Overdraft limit	100,000	100,000
Bank Overdraft at Balance Date	0	0
Credit Card limit	5,000	5,000
Credit Card Balance at Balance Date	<u>0</u>	<u>0</u>
<b>Total Amount of Credit Unused</b>	<u>105,000</u>	<u>105,000</u>

**Loan Facilities**

Loan Facilities - Current	133,923	117,920
Loan Facilities - Non-Current	<u>1,274,217</u>	<u>1,116,464</u>
<b>Total Facilities in Use at Balance Date</b>	<u>1,408,140</u>	<u>1,234,384</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>25,834</u>	<u>322,826</u>
---	---------------	----------------



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**15. CAPITAL AND LEASING COMMITMENTS**

**(a) Finance Lease Commitments**

Nil.

**(b) Operating Lease Commitments**

Nil.

**(c) Capital Expenditure Commitments**

Nil.

**16. CONTINGENT LIABILITIES**

Council is not aware of any claims at this time.

**17. JOINT VENTURE**

The Shire of Lake Grace does not have any joint ventures with other Shires.

**18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Governance	1,420,030	769,673
Law, Order, Public Safety	367,623	403,826
Health	779,915	775,543
Housing	576,751	568,421
Community Amenities	685,298	560,785
Recreation and Culture	7,409,435	7,169,220
Transport	123,276,337	122,875,124
Economic Services	569,557	287,655
Other Property and Services	2,405,555	2,059,849
Unallocated	2,274,247	4,345,937
	<u>139,764,748</u>	<u>139,816,033</u>

**19. FINANCIAL RATIOS**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Current Ratio	1.438	1.115	3.631
Untied Cash to Trade Creditors Ratio	0.002	6.910	64.602
Debt Ratio	0.014	0.013	0.008
Debt Service Ratio	0.030	0.025	0.035
Gross Debt to Revenue Ratio	0.213	0.212	0.210
Gross Debt to Economically Realisable Assets Ratio	0.119	0.104	0.080
Rate Coverage Ratio	0.311	0.330	0.432
Outstanding Rates Ratio	0.032	0.025	0.017



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**19. FINANCIAL RATIOS (continued)**

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 Trade Creditors Ratio	$\frac{\text{Untied cash}}{\text{Unpaid trade creditors}}$
Debt Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Debt Service Ratio	$\frac{\text{Debt Service Cost (Principal \& Interest)}}{\text{Available operating revenue}}$
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	$\frac{\text{Rates outstanding}}{\text{Rates collectable}}$

**20. 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-06 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun- 07 \$
Hall Bond Deposits	4,185	500	0	4,685
Housing Bond Deposits	2,818	892	(340)	3,370
Builders Registration Board	874	2,560	(3,136)	298
Miscellaneous Deposits	730	110	0	840
Housing Bonds - Joint Venture/LOGCHOP/Lakes Village	5,650	2,120	0	7,770
Shire of Lake Grace Social Club	1,515	1,309	(1,868)	956
	<u>15,772</u>			<u>17,919</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**21. DISPOSALS OF ASSETS - 2006/07 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Plant and Equipment</b>						
Ford Fairlane - LG001	31,485	32,115	31,818	35,500	333	3,385
Ford Sedan - LG1767	17,313	17,768	15,909	22,000	(1,404)	4,232
Ford S/Wagon - LG1825	20,812	21,305	20,909	27,500	97	6,195
Ford Courier Crew Cab - LG002	0	28,138	0	30,000	0	1,862
Ford Courier Dual Cab - LG003	0	20,064	0	20,000	0	(64)
Mitsubishi Canter Truck - LG028	13,763	16,155	24,318	28,000	10,555	11,845
Ford Falcon Ute - LG029	17,136	18,578	16,364	20,000	(772)	1,422
Mitsubishi Triton Ute - LG049	0	7,046	0	3,000	0	(4,046)
Ford Sedan - LG139	17,978	20,454	15,455	26,000	(2,523)	5,546
Mazda Tray Top Ute - LG384	0	2,543	0	4,000	0	1,457
Mitsubishi Triton Ute - 1BRH402	5,427	5,974	2,273	3,000	(3,154)	(2,974)
Volvo L90 Loader - LG126	61,861	75,535	110,000	105,000	48,139	29,465
Mitsubishi Canter Truck - LG004	24,069	11,663	20,000	20,000	(4,069)	8,337
Wilson Tree Lopper	50,622	0	0	0	(50,622)	0
Roller - LG2291	0	0	2,000	0	2,000	0
	<b>260,466</b>	<b>277,338</b>	<b>259,046</b>	<b>344,000</b>	<b>(1,420)</b>	<b>66,662</b>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**22. INFORMATION ON BORROWINGS**

(a) Debenture Repayments

Particulars	Principal 1-Jul-06 \$	New Loans \$	Principal Repayments		Principal 30-Jun-07		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Governance</b>								
Loan 175 CEO's House	118,777		6,151	6,151	112,626	112,626	7,168	7,168
Loan 181 Office Redevelopment	410,000		7,618	7,618	402,382	402,382	23,698	23,698
<b>Law, Order, Public Safety</b>								
Loan 171 Lake King Fire Truck	3,482		3,482	3,482	0	0	5	5
<b>Health</b>								
Loan 172 Lake Grace Medical	121,505		27,234	27,233	94,271	94,271	7,699	7,699
<b>Housing</b>								
Loan 160 Newdegate LOGCHOP	3		0	0	3	0	54	0
Loan 164 Newdegate J/Venture	6,362		3,079	3,079	3,283	3,282	274	274
Loan 165 Lake King J/Venture	6,362		3,079	3,079	3,283	3,282	274	274
Loan 167 Varley J/Venture	12,199		4,675	4,675	7,524	7,524	601	601
Loan 176 Lake Grace J/Venture	25,345		2,545	2,545	22,800	22,800	1,438	1,438
Loan 177 Lake King J/Venture	25,345		2,545	2,545	22,800	22,799	1,438	1,438
Loan 178 Newdegate J/Venture	55,491		4,788	4,788	50,703	50,703	3,292	3,292
Loan 184 Housing	0		0	0	0	100,000	0	0
<b>Community Amenities</b>								
Loan 161 Varley Sullage Scheme	2		0	0	2	0	70	0
Loan 180 Newdegate Toilet	35,000		2,680	2,680	32,320	32,320	1,933	1,933



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**22. INFORMATION ON BORROWINGS**

(a) Debenture Repayments (continued)

Particulars	Principal 1-Jul-06 \$	New Loans \$	Principal Repayments		Principal 30-Jun-07		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Recreation and Culture</b>								
Loan 166 Lake King Hall	85,077		9,311	9,311	75,766	75,765	4,839	4,839
Loan 173 Lake Grace Swimming Pool	182,387		6,567	6,567	175,820	175,820	10,267	10,267
Loan 170 Newdegate Rec Centre	48,841		12,828	12,828	36,013	36,013	2,106	2,640
Loan 179 Lake Grace Dam	41,619		3,591	3,591	38,028	38,028	3,003	2,469
Loan 168 Lake Grace Library	32,858		10,303	10,303	22,555	22,555	1,665	1,665
Loan 169 Newdegate Library	23,730		7,442	7,441	16,288	16,289	1,202	1,202
Loan 183 Lake Grace Sportsman's Club (*)		15,000	2,305	0	12,695	15,000	627	0
Loan 182 Lake Grace Sporting Precinct		278,978	0	0	278,978	278,978	5,749	0
	1,234,385	293,978	120,223	117,916	1,408,140	1,510,437	77,402	70,902

(\*) Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue with the exception of Loans 168, 169, 170, 173, 179 and 182 which are funded through Specified Area Rates.





**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**22. INFORMATION ON BORROWINGS**

(b) New Debentures - 2006/07

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 182 Lake Grace Sport Precinct	278,978	278,978	Treasury	Debenture	20	220,176	6.33%	278,978	278,978	
Loan 183 Lake Grace Sportsman Club	15,000	15,000	Treasury	Debenture	3	1,773	6.48%	15,000	15,000	

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1-Jul-06 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-Jun-07 \$
Loan 180 Newdegate Toilet Block	1/03/2006	4,308	0	4,308	0
Loan 181 Office Redevelopment	1/03/2006	318,518	0	318,518	0
Loan 182 Lake Grace Sporting Precinct	1/03/2007	0	278,978	253,144	25,834
		322,826	278,978	575,970	25,834

(d) Overdraft

Council established an overdraft facility of \$100,000 in 2000 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2006 and 30 June 2007 was \$Nil.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**23. RATING INFORMATION - 2006/07 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>General Rate</b>											
Gross Rental Value	9.1401	379	2,335,124	213,434	(1,800)	0	211,634	213,434	0	0	213,434
Unimproved Value	10.4730	588	136,265,392	1,427,113	1,771	0	1,428,884	1,427,113	0	0	1,427,113
<b>Sub-Totals</b>		967	138,600,516	1,640,547	(29)	0	1,640,518	1,640,547	0	0	1,640,547
<b>Minimum Rates</b>											
<b>Minimum Rates</b>											
Gross Rental Value	272.00	56	48,607	15,232	0	0	15,232	15,232	0	0	15,232
Unimproved Value	174.00	49	203,640	8,526	0	0	8,526	8,526	0	0	8,526
<b>Sub-Totals</b>		105	252,247	23,758	0	0	23,758	23,758	0	0	23,758
Specified Area Rate (refer note 23)							1,664,276				1,664,305
							683,200				691,753
							2,347,476				2,356,058
<b>Totals</b>							2,347,476				2,356,058



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**24. SPECIFIED AREA RATE - 2006/07 FINANCIAL YEAR**

	Rate in \$	Basis of Rate	Rateable Value	Rate Revenue	Budget Rate Revenue \$	Applied to Costs	Budget Applied to Costs \$
<b>Lake Grace Sewerage</b>	2.00						
Residential	222.30			84,012	54,736	84,012	54,736
Commercial	488.60				20,558		20,558
Vacant Land	155.50				2,829		2,829
Standard Connection		777.00					
1st Major Fixture		139.80			4,144		4,144
Additional Fixture		61.50			3,255		3,255
<b>Resource Centre</b>							
Lake Grace	0.2294	GRV	1,701,507	3,722	3,903	3,722	3,903
	0.1730	UV	45,661,400	7,864	7,899	7,864	7,899
Newdegate	0.2603	GRV	552,632	1,381	1,451	1,381	1,451
	0.0140	UV	50,180,000	7,049	7,025	7,049	7,025
<b>Sport and Recreation</b>							
Varley	1.9275	GRV	85,126	1,641	1,640	1,641	1,640
	0.1601	UV	16,045,000	25,688	25,688	25,688	25,688
Lake King	2.0858	GRV	127,724	2,589	2,664	2,589	2,664
	0.1709	UV	24,423,700	41,576	41,740	41,576	41,740
Newdegate	3.5271	GRV	557,632	18,707	19,668	18,707	19,668
	0.2622	UV	50,180,000	132,013	131,572	132,013	131,572
Lake Grace	6.3379	GRV	1,701,507	102,833	107,840	102,833	107,840
	0.5257	UV	45,661,400	238,959	240,042	238,959	240,042
<b>Newdegate Indoor Rec Centre</b>							
	0.6022	GRV	375,917	2,245	2,264	2,245	2,264
	0.0536	UV	23,947,500	12,921	12,835	12,921	12,835
				683,200	691,753	683,200	691,753

A specified area rate for recreation and culture is for four specified areas within the Shire of Lake Grace. A specified area rate is also raised to cover loan repayments for the Newdegate Indoor Recreation Centre and Newdegate Resource Centre with ratepayers within the Newdegate area. Lake Grace ratepayers also pay a specified area rate to meet loan repayments for the Lake Grace Resource Centre.

The proceeds of the rate are applied in full to the costs of these specified area rates. Should the proceeds exceed expenses then the balance is placed in a specified area rate reserve at the end of the financial year.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**25. SERVICE CHARGES - 2006/07 FINANCIAL YEAR**

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
<b>Television Charges</b>					
Lake Grace	7.00	1,680	1,680	1,680	1,680
Newdegate	33.00	3,003	3,036	3,036	3,003
Lake King	110.50	2,431	2,762	2,762	2,431
		7,114	7,478	7,114	7,478

The service charge is for the provision of television re-broadcasting. The charge is applicable to all owners occupiers within a designated area surrounding the townsite.

The proceeds of the service charge are applied in full to the costs of maintenance and operation.

Should the proceeds exceed expenses then the balance is placed in a separate reserve for this purpose at the end of the financial year.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS- 2006/07 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Rate Assessment	Write-Off		7,697	0

**27. INTEREST CHARGES AND INSTALMENTS - 2006/07 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	10		8,315	3,000
Interest on Instalments Plan	5.50		7,499	4,895
Charges on Instalment Plan		10	5,190	5,095
			21,004	12,990

Ratepayers had the option of paying rates in four equal instalments, due on 6th October 2006, 1st December 2006, 2nd February and 13th April 2007. Administration charges and interest were applied for the final three instalments.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**28. FEES & CHARGES**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Governance	12,270	5,533
General Purpose Funding	9,815	8,328
Law, Order, Public Safety	2,301	3,061
Health	5,800	5,800
Housing	89,547	77,733
Community Amenities	81,448	51,753
Recreation & Culture	23,736	19,153
Transport	418	1,777
Economic Services	10,412	4,147
Other Property & Services	<u>22,384</u>	<u>19,063</u>
	<u>258,131</u>	<u>196,348</u>

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

**29. GRANT REVENUE**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature and Type:</b>		
Grants and Subsidies - operating	3,353,360	2,158,022
Grants and Subsidies - non-operating	<u>1,001,427</u>	<u>1,637,643</u>
	<u>4,354,787</u>	<u>3,795,665</u>
<b>By Program:</b>		
General Purpose Funding	1,418,722	1,354,656
Law, Order, Public Sector	82,922	31,089
Housing	25,000	0
Community Amenities	69,671	0
Recreation and Culture	108,477	53,366
Transport	2,420,921	2,171,853
Economic Services	<u>229,074</u>	<u>184,701</u>
	<u>4,354,787</u>	<u>3,795,665</u>

**30. COUNCILLORS' REMUNERATION**

	<b>2007</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	15,190	19,320	15,540
President's Allowance	6,300	6,300	6,000
Deputy President's Allowance	2,100	2,100	2,000
Travelling Expenses	<u>16,310</u>	<u>17,900</u>	<u>17,726</u>
	<u>39,900</u>	<u>45,620</u>	<u>41,266</u>



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**31. EMPLOYEES' REMUNERATION**

No employee within the Shire of Lake Grace is receiving a cash salary in excess of \$100,000.

**32. EMPLOYEE NUMBERS**

	<b>2007</b>	<b>2006</b>
The number of full-time equivalent Employees at balance date	<u>33</u>	<u>30</u>

**33. MAJOR LAND TRANSACTIONS**

Council did not undertake any major land transactions during the financial year ended 30 June 2007.

**34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2006/07 financial year.



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**35. INTEREST RATE RISK**

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

Year Ended 30 June 2007	<b>&lt;1 year</b>	<b>&gt;1&lt;2</b>	<b>&gt;2&lt;3</b>	<b>&gt;3&lt;4</b>	<b>&gt;4&lt;5</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	\$	\$	\$	\$	\$	\$	\$	%
<b>FINANCIAL ASSETS</b>								
<b>Fixed Rate</b>								
Other Financial Assets	0	0	0	0	0	0	0	<b>0.00%</b>
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b>Floating Rate</b>								
Cash and Cash Equivalents	1,426,400	0	0	0	0	0	1,426,400	<b>2.06%</b>
Weighted Average Effective Interest Rate	2.06%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b>FINANCIAL LIABILITIES</b>								
<b>Fixed Rate</b>								
Debentures	(6,571)	(46,367)	(142,979)	0	0	(1,212,223)	(1,408,140)	<b>6.33%</b>
Weighted Average Effective Interest Rate	6.54%	6.03%	7.01%	0.00%	0.00%	6.26%		
<b>Floating Rate</b>								
Bank Overdraft	(7,265)	0	0	0	0	0	(7,265)	<b>10.00%</b>
Weighted Average Effective Interest Rate	10.00%	0.00%	0.00%	0.00%	0.00%	0.00%		



**SHIRE OF LAKE GRACE  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2007**

**35. INTEREST RATE RISK (Continued)**

Year Ended 30 June 2006	<b>&lt;1 year</b> \$	<b>&gt;1&lt;2</b> <b>years</b> \$	<b>&gt;2&lt;3</b> <b>years</b> \$	<b>&gt;3&lt;4</b> <b>years</b> \$	<b>&gt;4&lt;5</b> <b>years</b> \$	<b>&gt;5 years</b> \$	<b>Total</b> \$	<b>Weighted Average Effective Interest Rate</b> %
<b>FINANCIAL ASSETS</b>								
<b>Fixed Rate</b>								
Other Financial Assets	0	0	0	0	0	0	0	
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b>Floating Rate</b>								
Cash and Cash Equivalents	3,942,111	0	0	0	0	0	3,942,111	<b>3.16%</b>
Weighted Average Effective Interest Rate	3.16%	0.00%	0.00%	0.00%	0.00%	0.00%		
<b>FINANCIAL LIABILITIES</b>								
<b>Fixed Rate</b>								
Debentures	(3,487)	(12,724)	(68,787)	(170,346)	0	(979,041)	(1,234,385)	<b>6.34%</b>
Weighted Average Effective Interest Rate	6.44%	6.54%	6.02%	7.05%	0.00%	6.24%		





**INDEPENDENT AUDITOR'S REPORT  
TO THE ELECTORS OF THE SHIRE OF LAKE GRACE**

**Report on the Financial Report**

We have audited the accompanying financial report of the Shire of Lake Grace, which comprises the balance sheet as at 30 June 2007 and the income statement by nature or type, income statement by program, statement of changes in equity, cash flow statement, rate setting statement, expenditure and cash flow statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

**Council's Responsibility for the Financial Report**

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 on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 complied with the independence requirements of Australian professional ethical pronouncements.



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

**Auditor's Opinion**

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

- a giving a true and fair view of the Shire's financial position as at 30 June 2007 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).

**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.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON  
CHARTERED ACCOUNTANTS

DAVID TOMASI  
PARTNER

Address: Perth, WA  
Date: 20 August 2007

S:\David\Local Govt\lake Grace\2007\07 June Audit Report.doc



20 August 2007

The Shire President  
Shire of Lake Grace  
PO Box 50  
LAKE GRACE WA 6353

Dear Cr Roberts

**MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2007**

We advise that we have completed our audit procedures for the year ended 30th June 2007 and enclose our Audit Report for your attention.

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

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

**Expanded Audit Scope - Financial Management Review (Report dated 6 March 2007)**

During our final audit, we followed up on the matters raised in our review and are satisfied appropriate actions have been implemented or are being implemented for the matters raised. We will continue to monitor these matters during our interim visit in the first half of calendar year 2008.

**Provision for Doubtful Debts - \$1,682**

We noted that there was no basis for this provision as at 30 June 2006. However, we are satisfied that it is immaterial and have confirmed with your Deputy CEO that this provision will be written off in the next financial year.

**Comment on Financial Position**

Untied Cash to Trade Creditors Ratio is a fairly straight forward ratio which indicates if a local government has untied/unrestricted cash in excess of its immediate obligations to creditors.

A ratio greater than one indicates cash is in excess of these obligations. If it is less than one then it may indicate the Shire has a very immediate cash flow problem.

It is usually a very good indicator of the "true" short term position of the Shire.

Review of the Shire's financial ratios as presented at Note 18 to the Financial Report indicates the *untied cash to trade creditors ratio* is only 0.002.

However, even though this ratio is considered to be well below par, we note the *current ratio* is 1.438 (above the acceptable benchmark level of 1.0). Further investigations reveal the reason for this anomaly rests with the fact that, as at 30 June 2007, the Shire had \$568,296 of sundry debtors relating to work completed (MRWA and 2 major grants). Had this all been received prior to 30 June 2007 then the *untied cash to trade creditors ratio* will have been a much more respectable 2.007.



**Comment on Financial Position (Continued)**

If this was the case, the reclassification would also have affected the *current ratio* and reduced it to 0.801. Whilst this is below the benchmark of 1.0 it is mitigated by the following factors:

- current portion of long term borrowings (budgeted for separately in 07/08) of \$133,923 allows for an adjusted *current ratio* of 1.054;
- relatively low *debt service ratio* of 0.03 with no large increases in borrowings forecast for 07/08;
- strong level of reserves as at 30 June 2007; and
- balanced budget forecast for 07/08.

Consequently, at present, we consider the *untied cash to trade creditors ratio* anomaly to be more of a timing issue and not of long term concern. Obviously, we will continue to monitor the situation in future years and suggest it is prudent for council to do so also.

**Other Matters**

Other than the above, we noted no further matters that we wish to draw to the Council's attention.

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

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

Yours faithfully

DAVID TOMASI  
PARTNER

Encl  
S:\David\Local Gov\Lake Grace\2007\07 MANAGEMENT REPORT.doc