

**SHIRE OF JERRAMUNGUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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SHIRE OF JERRAMUNGUP

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2013

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Jerramungup being the annual financial report and other information for the financial year ended 30th June 2013 are in my opinion properly drawn up to present fairly the financial position of the Shire of Jerramungup at 30th June 2013 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 16<sup>th</sup> day of DECEMBER 2013



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Bill Parker  
Chief Executive Officer





**SHIRE OF JERRAMUNGUP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Revenue</b>				
Rates	23	2,490,558	2,497,242	2,349,591
Operating Grants, Subsidies and Contributions	29	1,427,284	913,468	1,595,160
Fees and Charges	28	968,495	799,509	966,867
Service Charges	25	0	0	0
Interest Earnings	2(a)	108,503	144,545	151,184
Other Revenue		453,847	514,284	484,072
		<u>5,448,687</u>	<u>4,869,048</u>	<u>5,546,874</u>
<b>Expenses</b>				
Employee Costs		(1,873,475)	(1,962,699)	(1,845,920)
Materials and Contracts		(2,161,641)	(2,941,078)	(2,227,133)
Utility Charges		(151,079)	(166,261)	(157,815)
Depreciation on Non-Current Assets	2(a)	(1,421,500)	(1,350,218)	(1,353,130)
Interest Expenses	2(a)	(33,620)	(27,464)	(31,299)
Insurance Expenses		(279,657)	(271,321)	(251,173)
Other Expenditure		(194,143)	102,580	(23,983)
		<u>(6,115,115)</u>	<u>(6,616,461)</u>	<u>(5,890,453)</u>
		(666,428)	(1,747,413)	(343,579)
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Contributions	29	1,694,438	1,667,826	2,688,647
Profit on Asset Disposals	21	134,063	133,760	0
Loss on Asset Disposal	21	(41,666)	(39,494)	(41,006)
		<u>1,786,835</u>	<u>1,762,092</u>	<u>2,647,641</u>
<b>Net Result</b>		<b>1,120,407</b>	<b>14,679</b>	<b>2,304,062</b>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	240,503	0	0
<b>Total Other Comprehensive Income</b>		<u>240,503</u>	<u>0</u>	<u>0</u>
<b>Total Comprehensive Income</b>		<u><u>1,360,910</u></u>	<u><u>14,679</u></u>	<u><u>2,304,062</u></u>

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

**SHIRE OF JERRAMUNGUP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Revenue</b>				
Governance		10,362	55,195	32,704
General Purpose Funding		3,127,233	2,947,175	3,063,890
Law, Order, Public Safety		137,487	142,671	141,953
Health		4,813	2,600	4,189
Education and Welfare		40,600	50,427	49,852
Housing		78,135	74,418	75,301
Community Amenities		283,098	308,533	307,728
Recreation and Culture		82,577	54,487	103,843
Transport		715,698	491,624	982,082
Economic Services		101,109	20,810	26,811
Other Property and Services		867,575	721,109	758,521
		<u>5,448,687</u>	<u>4,869,049</u>	<u>5,546,874</u>
<b>Expenses</b>				
Governance		(509,485)	(582,609)	(590,007)
General Purpose Funding		(113,101)	(96,728)	(103,832)
Law, Order, Public Safety		(496,847)	(353,271)	(336,283)
Health		(100,444)	(94,161)	(85,364)
Education and Welfare		(122,507)	(134,825)	(91,857)
Housing		(40,330)	(45,398)	(56,010)
Community Amenities		(816,117)	(709,207)	(812,878)
Recreation and Culture		(705,925)	(823,581)	(733,520)
Transport		(2,435,876)	(2,427,292)	(2,398,340)
Economic Services		(180,096)	(91,470)	(181,862)
Other Property and Services		(573,981)	(1,230,457)	(469,201)
		<u>(6,094,709)</u>	<u>(6,588,999)</u>	<u>(5,859,154)</u>
<b>Finance Costs</b>				
Housing		(24,709)	(25,087)	(27,395)
Community Amenities		(1,762)	(1,763)	(2,414)
Transport		6,063	(614)	(1,490)
		<u>(20,408)</u>	<u>(27,464)</u>	<u>(31,299)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Law Order and Public Safety		626,848	481,055	16,183
Education and Welfare		28,906	33,682	0
Recreation and Culture		157,648	142,648	155,907
Transport		881,037	1,010,441	2,317,587
Other Property and Services		0	0	198,969
		<u>1,694,439</u>	<u>1,667,826</u>	<u>2,688,646</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		(6,297)	(7,156)	(1,287)
Health		(5,448)	(5,586)	(10,969)
Community Amenities		(22,539)	0	(25,109)
Building		4,063	0	0
Housing		0	(17,416)	0
Transport		122,619	124,425	(3,641)
		<u>92,398</u>	<u>94,267</u>	<u>(41,006)</u>
<b>Net Result</b>		<u><b>1,120,407</b></u>	<u><b>14,679</b></u>	<u><b>2,304,062</b></u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	<u>240,503</u>	<u>0</u>	<u>0</u>
<b>Total Other Comprehensive Income</b>		<u><b>240,503</b></u>	<u><b>0</b></u>	<u><b>0</b></u>
<b>Total Comprehensive Income</b>		<u><u><b>1,360,910</b></u></u>	<u><u><b>14,679</b></u></u>	<u><u><b>2,304,062</b></u></u>

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

**SHIRE OF JERRAMUNGUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2013**

	NOTE	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	1,776,438	1,698,814
Trade and Other Receivables	4	608,958	1,023,162
Inventories	5	26,857	17,554
<b>TOTAL CURRENT ASSETS</b>		<u>2,412,253</u>	<u>2,739,530</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	647	369
Inventories	5	0	0
Property, Plant and Equipment	6	10,994,876	10,009,141
Infrastructure	7	92,147,088	90,984,427
Intangible Assets	8	0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<u>103,142,611</u>	<u>100,993,937</u>
<b>TOTAL ASSETS</b>		<u>105,554,864</u>	<u>103,733,467</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	409,497	322,754
Long Term Borrowings	10	99,724	74,733
Provisions	11	226,969	278,269
<b>TOTAL CURRENT LIABILITIES</b>		<u>736,190</u>	<u>675,756</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	10	783,557	380,303
Provisions	11	67,042	70,243
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>850,599</u>	<u>450,546</u>
<b>TOTAL LIABILITIES</b>		<u>1,586,789</u>	<u>1,126,302</u>
<b>NET ASSETS</b>		<u>103,968,075</u>	<u>102,607,165</u>
<b>EQUITY</b>			
Retained Surplus		47,410,916	46,058,242
Reserves - Cash Backed	12	1,106,815	1,339,082
Revaluation Surplus	13	55,450,344	55,209,841
<b>TOTAL EQUITY</b>		<u>103,968,075</u>	<u>102,607,165</u>

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

**SHIRE OF JERRAMUNGUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		44,031,545	1,061,717	55,209,841	100,303,103
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
Restated Balance		44,031,545	1,061,717	55,209,841	100,303,103
Comprehensive Income					
Net Result		2,304,062	0	0	2,304,062
Changes on Revaluation of Non-Current Assets	13	0	0	0	0
Total Comprehensive Income		<hr/> 2,304,062	<hr/> 0	<hr/> 0	<hr/> 2,304,062
Reserve Transfers		(277,365)	277,365	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2012</b>		<b>46,058,242</b>	<b>1,339,082</b>	<b>55,209,841</b>	<b>102,607,165</b>
Comprehensive Income					
Net Result		1,120,407	0	0	1,120,407
Changes on Revaluation of Non-Current Assets	13	0	0	240,503	240,503
Total Other Comprehensive Income		<hr/> 1,120,407	<hr/> 0	<hr/> 240,503	<hr/> 1,360,910
Reserve Transfers		232,267	(232,267)	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2013</b>		<b><u>47,410,916</u></b>	<b><u>1,106,815</u></b>	<b><u>55,450,344</u></b>	<b><u>103,968,075</u></b>

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

**SHIRE OF JERRAMUNGUP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		2,469,469	2,497,242	2,358,791
Operating Grants, Subsidies and Contributions		1,427,284	913,468	1,595,160
Fees and Charges		1,385,594	799,509	115,295
Service Charges		0	0	0
Interest Earnings		122,100	144,545	144,157
Goods and Services Tax		7,674	45,000	25,588
Other Revenue		453,847	514,284	484,072
		<u>5,865,968</u>	<u>4,914,048</u>	<u>4,723,063</u>
<b>Payments</b>				
Employee Costs		(1,905,579)	(1,962,699)	(1,748,065)
Materials and Contracts		(2,210,729)	(2,931,078)	(2,455,426)
Utility Charges		(151,079)	(166,261)	(157,815)
Insurance Expenses		(279,657)	(271,321)	(251,173)
Interest expenses		(27,942)	(27,464)	(31,472)
Goods and Services Tax		98,452	(47,565)	55,065
Other Expenditure		(194,143)	102,580	(23,983)
		<u>(4,670,677)</u>	<u>(5,303,808)</u>	<u>(4,612,869)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	14(b)	<u>1,195,291</u>	<u>(389,760)</u>	<u>110,194</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(1,507,317)	(1,386,780)	(616,708)
Payments for Construction of Infrastructure		(2,026,788)	(3,295,248)	(2,784,654)
Advances to Community Groups		0	0	0
Payments for Purchase of Investments		0	0	0
Non-Operating Grants, Subsidies and Contributions		1,694,439	2,426,607	2,688,646
Proceeds from Sale of Plant & Equipment		297,109	356,816	127,728
Proceeds from Advances		0	0	0
Proceeds from Sale of Investments		0	0	0
		<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(1,542,557)</u>	<u>(1,898,605)</u>	<u>(584,988)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(75,110)	(71,921)	(64,871)
Repayment of Finance Leases		0	0	0
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures		500,000	1,000,000	0
		<u>500,000</u>	<u>1,000,000</u>	<u>0</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>424,890</u>	<u>928,079</u>	<u>(64,871)</u>
<b>Net Increase (Decrease) in Cash Held</b>		77,624	(1,360,286)	(539,665)
Cash at Beginning of Year		1,698,814	2,419,846	2,238,479
<b>Cash and Cash Equivalents at the End of the Year</b>	14(a)	<u>1,776,438</u>	<u>1,059,560</u>	<u>1,698,814</u>

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



**SHIRE OF JERRAMUNGUP**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
<b>Revenue</b>				
Governance		10,362	55,195	32,704
General Purpose Funding		636,675	449,933	714,299
Law, Order, Public Safety		764,335	652,111	158,136
Health		4,813	2,600	4,189
Education and Welfare		69,506	84,109	49,852
Housing		78,135	74,418	75,301
Community Amenities		283,098	308,533	307,728
Recreation and Culture		240,225	197,135	259,750
Transport		1,726,735	1,635,825	3,299,669
Economic Services		105,172	20,810	26,811
Other Property and Services		867,575	721,109	957,490
		<u>4,786,631</u>	<u>4,201,778</u>	<u>5,885,929</u>
<b>Expenses</b>				
Governance		(515,782)	(589,765)	(591,294)
General Purpose Funding		(113,101)	(96,728)	(103,832)
Law, Order, Public Safety		(496,847)	(353,271)	(336,283)
Health		(105,892)	(99,747)	(96,333)
Education and Welfare		(122,507)	(134,825)	(91,857)
Housing		(65,039)	(70,485)	(83,405)
Community Amenities		(840,418)	(710,970)	(840,401)
Recreation and Culture		(705,925)	(823,581)	(733,520)
Transport		(2,437,194)	(2,437,241)	(2,403,471)
Economic Services		(180,096)	(91,470)	(181,862)
Other Property and Services		(573,981)	(1,230,456)	(469,201)
		<u>(6,156,782)</u>	<u>(6,638,539)</u>	<u>(5,931,459)</u>
<b>Net Result Excluding Rates</b>		(1,370,151)	(2,436,761)	(45,530)
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
(Profit)/Loss on Asset Disposals	21	(92,398)	(94,266)	41,006
Movement in Accrued Interest		13,597	0	(173)
Movement in Deferred Pensioner Rates (Non-Current)		(278)	0	337
Movement in Accrued Salaries and Wages		10,338	0	27,443
Movement in Employee Benefit Provisions (Non-Current)		(54,501)	0	0
Depreciation and Amortisation on Assets	2(a)	1,421,500	1,350,217	1,353,130
<b>Capital Expenditure and Revenue</b>				
Purchase Land Held for Resale		0	0	0
Purchase Land and Buildings		(284,984)	(230,882)	(306,767)
Purchase Infrastructure Assets - Roads		(1,999,972)	(3,305,248)	(2,776,551)
Purchase Infrastructure Assets - Parks		(26,816)	(256,648)	(7,583)
Purchase Plant and Equipment		(1,216,942)	(897,150)	(306,473)
Purchase Furniture and Equipment		(5,391)	(2,100)	(3,468)
Proceeds from Disposal of Investments		0	0	0
Proceeds from Disposal of Assets	21	297,109	356,816	127,727
Repayment of Debentures	22	(71,755)	(71,921)	(64,871)
Proceeds from New Debentures	22	500,000	1,000,000	0
Self-Supporting Loan Principal Income		0	0	0
Transfers to Reserves (Restricted Assets)	12	(109,731)	(82,477)	(317,926)
Transfers from Reserves (Restricted Assets)	12	342,000	362,000	40,561
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	842,338	1,812,567	931,895
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	684,521	1,388	1,084,799
<b>Total Amount Raised from General Rate</b>	23(a)	<u>(2,490,558)</u>	<u>(2,497,241)</u>	<u>(2,392,042)</u>

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



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**(b) The Local Government Reporting Entity**

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 20 to these financial statements.

**(c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(d) Cash and Cash Equivalents**

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

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

**(e) Trade and Other Receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

**(f) Inventories**

***General***

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

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

***Land Held for Resale***

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

Gains and losses are recognised in the statement of comprehensive income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets**

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

***Mandatory Requirement to Revalue Non-Current Assets***

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at fair value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

***Land Under Control***

In accordance with local Government (Financial Management) Regulation 16 (a), the Council is required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with other policies detailed in this Note.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Initial Recognition***

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

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

***Revaluation***

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date.

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

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

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value, imposes a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Transitional Arrangement***

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** methodology section as detailed above.

***Land under Roads***

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

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

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

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

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Depreciation of Non-Current Assets***

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

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

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

Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Formed roads formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

***Capitalisation Threshold***

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**(h) Intangible Assets**

**Easements**

Due to legislative changes, Easements are required to be recognised as assets.

They are initially recognised at cost and have an indefinite useful life.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

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

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

***Impairment***

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments (Continued)**

***Derecognition***

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

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

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

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

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

**(k) Trade and Other Payables**

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

**(l) Employee Benefits**

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

**(m) Borrowing Costs**

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(n) Provisions**

Provisions are recognised when:

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

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

**(o) Leases**

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

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

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

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

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

**(p) Investments in Associates**

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition, whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(q) Joint Venture**

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 17.

The Council's interest in joint venture entities are recorded using the equity method of accounting (refer to Note 1(p) for details) in the financial report.

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

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

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

**(s) Superannuation**

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

**(t) Current and Non-Current Classification**

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

**(u) Rounding Off Figures**

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(v) Comparative Figures**

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

**(w) Budget Comparative Figures**

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

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Council.

Management's assessment of the new and amended pronouncement that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows.

	<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(i)	AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
	AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	September 2012	Deferred AASB 9 until 1 January 2015	
(ii)	AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

Title and Topic	Issued	Applicable (*)	Impact
(iii) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 -Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards  [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128 , are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2012-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	01 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.  This Standard is not expected to significantly impact on the Council's financial statements.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	01 January 2014	<p>This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact on the Council’s financial statements.</p>
(ix) AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 101, 116, 132, 134 and Interpretation 2]	June 2012	01 January 2013	<p>Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council’s financial statements.</p>
(x) AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	01 January 2013	<p>Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.</p>

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(y) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were:

AASB 2010 – 8  
AASB 2011 - 3  
AASB 2011 - 13

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

The Council also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

<b>2. REVENUE AND EXPENSES</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Amortisation</b>		
Capitalised Leased Assets	0	0
<b>Auditors Remuneration</b>		
- Audit of the financial report	5,721	12,331
- Financial Management Review		
- Assistance with the finalisation of the annual financial report		
- Advice fair value, audit committee & strategic waste management	1,290	
- Grant funding and acquital	6,739	2,090
<b>Depreciation</b>		
Buildings	202,775	195,307
Furniture and Equipment	10,762	23,598
Plant and Equipment	343,836	289,521
Roads	838,304	819,055
Dual Use Paths	4,340	4,217
Parks and Ovals	1,882	1,831
Drainage	5,696	5,696
Sewerage	7,164	7,164
Other Reserves	6,741	6,741
	<u>1,421,500</u>	<u>1,353,130</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures ( <i>refer Note 22(a)</i> )	33,620	31,299
	<u>33,620</u>	<u>31,299</u>
<b>Rental Charges</b>		
- Operating Leases	0	0
	<u>0</u>	<u>0</u>
	<b>2013</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>
		<b>\$</b>
<b>Interest Earnings</b>		
Investments		
- Reserve Funds	72,161	56,935
- Other Funds	12,682	63,655
Other Interest Revenue ( <i>refer note 27</i> )	23,660	23,955
	<u>108,503</u>	<u>144,545</u>
	<u>108,503</u>	<u>151,184</u>

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(b) Statement of Objective**

The Shire of Jerramungup 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 tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.

**GENERAL PURPOSE FUNDING**

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

Activities: Rates, general purpose government grants & interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

Objective: To provide services to help ensure a safer community.

Activities: Supervision of various by-laws, fire prevention, emergency services & animal control.

**HEALTH**

Objective: To provide an operational framework for good community health.

Activities: Food quality and pest control, maintenance and contributions to health services and facilities.

**EDUCATION AND WELFARE**

Objective: To meet the needs of the community in these areas.

Activities: Operation and provision of retirement units in Jerramungup and Bremer Bay, assistance to Southern AgCare services, pre-school facility, childcare centre and local primary and high schools and other voluntary services.

**HOUSING**

Objective: To provide adequate housing stocks within the community.

Activities: Maintenance of staff and rental housing.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**2 REVENUE AND EXPENSES (continued)**

**COMMUNITY AMENITIES**

Objective: Provide services required by the community.

Activities: Rubbish collection services, operation of tips, noise control, administration of the town planning scheme, maintenance of cemeteries, control and maintenance of coastal reserves and other community/environmental services.

**RECREATION AND CULTURE**

Objective: To establish and manage efficiently infrastructure and resources which will help the social and well being of the community.

Activities: Maintenance of halls, sporting complexes, resource centres, Bremer Bay Youth Camp, various parks and associated facilities, provision of library services in Jerramungup & Bremer Bay, maintenance and upgrade of television services.

**TRANSPORT**

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

Activities: Construction and maintenance of streets, roads, bridges, cleaning, and lighting of streets, parking facilities, traffic signs, depot maintenance and airstrips maintenance.

**ECONOMIC SERVICES**

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

Activities: The regulation and provision of tourism, area promotion, building control, saleyards, noxious weeds, vermin control, and water supply including stand pipes.

**OTHER PROPERTY AND SERVICES**

Activities: Private works operations, plant repairs, and operations costs. Also provides for Dept Transport Licensing.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(c) Conditions Over Grants/Contributions**

<u>Grant/Contribution</u>	<u>Function/ Activity</u>	<u>Opening Balance (*) 1-Jul-11 \$</u>	<u>Received (+) 2011/12 \$</u>	<u>Expended (#) 2011/12 \$</u>	<u>Closing Balance (*) 30-Jun-12 \$</u>	<u>Received (+) 2012/13 \$</u>	<u>Expended (#) 2012/13 \$</u>	<u>Closing Balance 30-Jun-13 \$</u>
Department of Agriculture - Community event	Recreation	20000	0	(20,000)	0	0	0	0
Main Roads - Swamp Road upgrade*	Transport	599,171	1,255,968	(1,606,295)	<b>248,844</b>	0	(125,094)	<b>123,750</b>
Regional Waste Management*	Other Property and Services	0	198,969	(47,634)	<b>151,335</b>	0	(3,834)	<b>147,501</b>
Bremer Bay Town Centre (CLGF) and GSDC*#	Transport	0	354,822	(176,613)	<b>178,209</b>	0	(178,209)	<b>0</b>
Bremer Bay Town Centre (CLGF)+	Transport	0	0	0	<b>0</b>	324,822	0	<b>324,822</b>
Kidsport*	Recreation and Culture	0	23,100	(547)	<b>22,553</b>	0	(60)	<b>22,493</b>
<b>Total</b>		<u><b>619,171</b></u>	<u><b>1,832,859</b></u>	<u><b>(1,851,089)</b></u>	<u><b>600,941</b></u>	<u><b>324,822</b></u>	<u><b>(307,197)</b></u>	<u><b>618,566</b></u>

**Notes:**

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

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

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>3. CASH AND CASH EQUIVALENTS</b>		
Unrestricted	36,278	(255,989)
Restricted	1,740,160	1,954,803
	<u>1,776,438</u>	<u>1,698,814</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	30,349	57,693
Plant Reserve	35,276	219,991
Building Reserve	178,957	168,591
Bremer Bay Youth Camp Reserve	47,252	44,515
Community Recreation Reserve	58,459	55,073
Jerramungup Entertainment Centre Reserve	7,704	7,258
Effluent Reserve	393,718	349,578
Jerramungup Retirement Units Reserve	84,771	99,261
Point Henry Fire Levy Reserve	57,465	54,136
Bremer Bay Boat Ramp Reserve	103,350	97,363
Bremer Bay Caravan Park Reserve	0	0
Bremer Bay Retirement Units Reserve	87,397	101,736
Capital Works Reserve	14,760	76,957
Swimming Pool Reserve	7,356	6,930
Unspent Grants	618,566	600,941
Unspent Loans	0	0
Committed Cash - Subdivision Contribution	14,780	14,780
	<u>1,740,160</u>	<u>1,954,803</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	66,840	46,029
Sundry Debtors	505,733	922,832
GST Receivable	31,854	39,528
Prepaid expenses	3,355	0
Accrued Income	1,176	14,773
	<u>608,958</u>	<u>1,023,162</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	647	369
	<u>647</u>	<u>369</u>
<b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel and Materials	26,857	17,554
	<u>26,857</u>	<u>17,554</u>
<b>Non-Current</b>		
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	0	0
	<u>0</u>	<u>0</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012
	\$	\$
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings - at cost	11,427,037	11,142,052
Less Accumulated Depreciation	<u>(2,974,100)</u>	<u>(2,771,325)</u>
	8,452,936	8,370,727
Furniture and Equipment - Management Valuation 2013	14,666	456,562
Less Accumulated Depreciation	<u>0</u>	<u>(436,371)</u>
	14,666	20,191
Plant and Equipment - Management Valuation 2013	2,527,274	3,967,398
Less Accumulated Depreciation	<u>0</u>	<u>(2,349,175)</u>
	2,527,274	1,618,223
	<u><u>10,994,876</u></u>	<u><u>10,009,141</u></u>

Plant and Equipment

The Shire's Plant and Equipment was revalued at 30 June 2013 by management, by reference to market information. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy). The revaluation resulted in an overall increase of \$240,657 in the net value of the Shire's plant and equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 13(c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income

Furniture and Equipment

The Shire's Furniture and Equipment was revalued at 30 June 2013 by management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs). Given the significance of the level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs. These level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement. The revaluation resulted in \$154 decrease in the net value of the Shire's Furniture and Equipment. All of this decrease was offset against to the plant and equipment revaluation surplus in the Shire's equity (refer Note 13(c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Movements in Carrying Amounts**

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

	<b>Land and and Buildings</b>	<b>Plant and Equipment (Level 2)</b>	<b>Furniture and Equipment (Level 3)</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at the beginning of the year	8,370,727	1,618,165	20,225	10,009,117
Additions	284,984	1,216,942	5,391	1,507,317
(Disposals)	0	(204,712)	(34)	(204,746)
Revaluation - Increments	0	240,657	0	240,657
- (Decrements)		58	(154)	(96)
Impairment - (Losses)	0	0	0	0
- Reversals	0	0	0	0
Initial Recognition of assets Due to Changes to Regulations	0	0	0	0
Depreciation (Expense)	(202,775)	(343,836)	(10,762)	(557,373)
<b>Carrying amount at the end of year</b>	<b><u>8,452,936</u></b>	<b><u>2,527,274</u></b>	<b><u>14,666</u></b>	<b><u>10,994,876</u></b>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>7. INFRASTRUCTURE</b>		
Roads - Managements Valuation 2005	93,248,103	93,248,103
Roads - Cost	10,639,185	8,654,587
Less Accumulated Depreciation	<u>(13,523,223)</u>	<u>(12,684,919)</u>
	90,364,065	89,217,771
Footpaths - Cost	375,575	360,203
Less Accumulated Depreciation	<u>(84,391)</u>	<u>(80,052)</u>
	291,184	280,151
Drainage - Cost	790,081	790,081
Less Accumulated Depreciation	<u>(160,184)</u>	<u>(154,488)</u>
	629,897	635,593
Parks & Ovals - Cost	274,708	247,892
Less Accumulated Depreciation	<u>(59,974)</u>	<u>(58,093)</u>
	214,734	189,799
Sewerage - Cost	358,200	358,200
Less Accumulated Depreciation	<u>(183,516)</u>	<u>(176,352)</u>
	174,684	181,848
Other Reserves - Cost	667,468	667,468
Less Accumulated Depreciation	<u>(194,944)</u>	<u>(188,203)</u>
	472,524	479,265
	<u>92,147,088</u>	<u>90,984,427</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**7. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

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

	<b>Roads</b>	<b>Footpaths</b>	<b>Drainage</b>	<b>Parks and Ovals</b>	<b>Sewerage</b>	<b>Other Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	89,217,770	280,151	635,593	189,798	181,848	479,265	90,984,425
Additions	1,984,600	15,372	0	26,816	0	0	2,026,788
(Disposals)	0	0	0	0	0	0	0
Revaluation - Increments	0	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0	0
Depreciation (Expense)	(838,304)	(4,339)	(5,696)	(1,881)	(7,164)	(6,741)	(864,125)
<b>Carrying amount at the end of year</b>	<b><u>90,364,066</u></b>	<b><u>291,184</u></b>	<b><u>629,897</u></b>	<b><u>214,733</u></b>	<b><u>174,684</u></b>	<b><u>472,524</u></b>	<b><u>92,147,088</u></b>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>8. INTANGIBLES</b>		
Easements	0	0
Accumulated Impairment Losses	0	0
	<u>0</u>	<u>0</u>

Easements have an indefinite useful life and no amortisation applies.

**Movements in Carrying Amounts**

Movement in the carrying amount of intangible assets between the beginning and the end of the current financial year.

	<b>Easements</b>
	<b>\$</b>
Balance at the beginning of the year	0
Additions due to change in legislative requirements	0
(Disposals)	0
Revaluation increments/(decrements)	0
Impairment (losses)/reversals	0
Carrying amount at the end of the year	<u>0</u>

Easements were given a management valuation of nil at 30th June 2013

**9. TRADE AND OTHER PAYABLES**

**Current**

Sundry Creditors	129,418	180,960
Accrued Interest on Debentures	12,782	7,104
Accrued Salaries and Wages	31,933	23,233
Pay As You Go Liability	43,364	29,667
Accrued Expenses	11,758	0
GST Liability	180,242	81,790
	<u>409,497</u>	<u>322,754</u>

**10. LONG-TERM BORROWINGS**

**Current**

Secured by Floating Charge		
Debentures	99,724	74,733
Lease Liability	0	0
	<u>99,724</u>	<u>74,733</u>

**Non-Current**

Secured by Floating Charge		
Debentures	783,557	380,303
Lease Liability	0	0
	<u>783,557</u>	<u>380,303</u>

Additional detail on borrowings is provided in Note 22.



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013 \$	2013 Budget \$	2012 \$
<b>12. RESERVES - CASH BACKED</b>			
<b>(a) Leave Reserve</b>			
Opening Balance	57,695	57,692	30,321
Amount Set Aside / Transfer to Reserve	2,654	2,308	27,371
Amount Used / Transfer from Reserve	<u>(30,000)</u>	<u>(50,000)</u>	<u>0</u>
	<u>30,349</u>	<u>10,000</u>	<u>57,692</u>
<b>(b) Plant Reserve</b>			
Opening Balance	219,991	219,991	98,902
Amount Set Aside / Transfer to Reserve	22,285	8,800	121,089
Amount Used / Transfer from Reserve	<u>(207,000)</u>	<u>(207,000)</u>	<u>0</u>
	<u>35,276</u>	<u>21,791</u>	<u>219,991</u>
<b>(c) Community Recreation</b>			
Opening Balance	55,073	55,073	33,930
Amount Set Aside / Transfer to Reserve	3,386	2,203	21,143
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>58,459</u>	<u>57,276</u>	<u>55,073</u>
<b>(d) Bremer Bay Youth Camp Reserve</b>			
Opening Balance	44,515	44,516	42,348
Amount Set Aside / Transfer to Reserve	2,737	1,781	2,167
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>0</u>
	<u>47,252</u>	<u>46,297</u>	<u>44,515</u>
<b>(e) Building Reserve</b>			
Opening Balance	168,591	168,590	170,206
Amount Set Aside / Transfer to Reserve	10,366	6,744	0
Amount Used / Transfer from Reserve	<u>0</u>	<u>0</u>	<u>(1,615)</u>
	<u>178,957</u>	<u>175,334</u>	<u>168,591</u>
<b>(f) Bremer Bay Retirement Units Reserve</b>			
Opening Balance	101,736	101,736	96,782
Amount Set Aside / Transfer to Reserve	5,662	4,069	4,954
Amount Used / Transfer from Reserve	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
	<u>87,398</u>	<u>85,805</u>	<u>101,736</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**12 RESRVES - CASH BACKED (continued)**

	2,013 \$	2,013 Budget	2,012 \$
<b>(g) JMP Entertainment Centre Reserve</b>			
Opening Balance	7,258	7,259	46,204
Amount Set Aside / Transfer to Reserve	446	290	0
Amount Used / Transfer from Reserve	0	0	(38,946)
	<u>7,704</u>	<u>7,549</u>	<u>7,258</u>
<b>(h) Effluent Reserve</b>			
Opening Balance	349,578	349,578	298,170
Amount Set Aside / Transfer to Reserve	44,140	42,897	51,408
Amount Used / Transfer from Reserve	0	0	0
	<u>393,718</u>	<u>392,475</u>	<u>349,578</u>
<b>(i) Point Henry Fire Levy Reserve</b>			
Opening Balance	54,136	54,136	39,835
Amount Set Aside / Transfer to Reserve	3,329	2,165	14,301
Amount Used / Transfer from Reserve	0	0	0
	<u>57,465</u>	<u>56,301</u>	<u>54,136</u>
<b>(j) Jerramungup Retirement Units Reserve</b>			
Opening Balance	99,261	99,261	94,428
Amount Set Aside / Transfer to Reserve	5,510	3,970	4,833
Amount Used / Transfer from Reserve	(20,000)	(20,000)	0
	<u>84,771</u>	<u>83,231</u>	<u>99,261</u>
<b>(k) Fishery Beach Boat Ramp Reserve</b>			
Opening Balance	97,363	97,363	92,622
Amount Set Aside / Transfer to Reserve	5,987	3,895	4,741
Amount Used / Transfer from Reserve	0	0	0
	<u>103,350</u>	<u>101,258</u>	<u>97,363</u>
<b>(l) Capital Works Reserve</b>			
Opening Balance	76,957	76,957	11,375
Amount Set Aside / Transfer to Reserve	2,803	3,078	65,582
Amount Used / Transfer from Reserve	(65,000)	(65,000)	0
	<u>14,760</u>	<u>15,035</u>	<u>76,957</u>
<b>(m) Swimming Pool Reserve</b>			
Opening Balance	6,930	6,930	6,593
Amount Set Aside / Transfer to Reserve	426	277	337
Amount Used / Transfer from Reserve	0	0	0
	<u>7,356</u>	<u>7,207</u>	<u>6,930</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u>1,106,815</u>	<u>1,059,559</u>	<u>1,339,081</u>

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

**SHIRE OF JERRAMUNGUP**  
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**12 RESERVES - CASH BACKED (continued)**

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

**Leave Reserve**

- to be used to fund annual and long service leave requirements

**Plant Reserve**

- to be used for the purchase of major plant

**Community Recreation Reserve**

- to be used to assist local sporting groups to upgrade their facilities.

**Bremer Bay Youth Camp Reserve**

- for the ongoing management and future upgrade of the reserve land on  
Lot 70 Borden Bremer Bay Road

**Building Reserve**

- to be used for the construction of new Council buildings.

**Bremer Bay Retirement Units Reserve**

- to be used for the provisions required at the units.

**Jerramungup Entertainment Centre Reserve**

- to be used for capital building improvements.

**Effluent Reserve**

- to be used to maintain the efficient running of the facility.

**Point Henry Fire Levy Reserve**

- to be used for the provision, maintenance and construction of strategic fire prevention activities within the Point Henry Peninsula.

**Jerramungup Retirement Units Reserve**

- to be used for the provisions required at the units.

**Fishery Beach Boat Ramp Reserve**

- to be used to upgrade and maintain the boat ramp facility at Fisheries Beach in Bremer Bay

**Capital Works Reserve**

- to be used to supplement future capital works programs.

**Swimming Pool Reserve**

- to preserve any surplus funds from the Jerramungup Swimming Pool's operations for future financial requirements of the Jerramungup Swimming Pool and associated facilities.

The Building, Community Recreation and Pt Henry Fire Levy Reserves are expected to be utilised in 2013/14.

**SHIRE OF JERRAMUNGUP**  
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<b>13. RESERVES - ASSET REVALUATION</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land and Buildings</b>		
Opening balance	955,543	955,543
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>955,543</u>	<u>955,543</u>
<b>(b) Roads</b>		
Opening balance	54,254,298	54,254,298
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>54,254,298</u>	<u>54,254,298</u>
<b>(c) Plant and Equipment</b>		
Opening Balance	0	0
Revaluation Increment	240,503	0
Revaluation Decrement	0	0
	<u>240,503</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION RESERVES</b>	<u><u>55,450,344</u></u>	<u><u>55,209,841</u></u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**14. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

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

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>1,776,438</u>	<u>1,459,559</u>	<u>1,698,814</u>

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

Net Result	1,120,407	14,679	2,304,062
Amortisation	0	0	0
Depreciation	1,421,500	1,350,218	1,353,130
(Profit)/Loss on Sale of Asset	(92,398)	(94,266)	41,006
(Increase)/Decrease in Accrued Interest	19,275	0	(7,200)
(Increase)/Decrease in Accrued Wages & Sal	22,397	0	27,443
(Increase)/Decrease in Receivables	396,010	758,781	(816,783)
(Increase)/Decrease in Inventories	(9,303)	10,000	21,362
Increase/(Decrease) in Payables	(39,783)	20,000	(249,655)
Increase/(Decrease) in Employee Provisions	(54,501)	0	70,411
Increase/Decrease in GST Liability	106,126	0	55,064
Grants/Contributions for the Development of Assets	(1,694,439)	(1,667,826)	(2,688,647)
Non-Current Assets recognised due to changes in legislative requirements	0	0	0
Net Cash from Operating Activities	<u>1,195,291</u>	<u>391,586</u>	<u>110,193</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

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

**Loan Facilities**

Loan Facilities - Current	99,724	74,733
Loan Facilities - Non-Current	783,557	380,303
<b>Total Facilities in Use at Balance Date</b>	<u>883,281</u>	<u>455,036</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>0</u>	<u>0</u>
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**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**15. CONTINGENT LIABILITIES**

No contingent Liabilities against the Council.

<b>16. CAPITAL AND LEASING COMMITMENTS</b>	<b>2013</b> \$	<b>2012</b> \$
<b>(a) Finance Lease Commitments</b>		
Payable:		
- not later than one year	0	0
- later than one year but not later than five years	0	0
- later than five years	0	0
Minimum Lease Payments	0	0
Less Future Finance Charges	0	0
Total Lease Liability	0	0
<b>(b) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	0	0
- later than one year but not later than five years	0	0
- later than five years	0	0
	0	0
<b>(c) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects	0	0
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	0

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**17. JOINT VENTURE**

The Shire together with the Department of Housing have a joint venture arrangement with regards to the provision of 6 retirement units at Lot 158 Jerramungup, and six retirement units in Roderick Street Bremer Bay. The Shire's equity in the units is included in Land and Buildings as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current Assets</b>		
Land & Buildings	194,565	187,118
Less: Accumulated Depreciation	<u>(58,396)</u>	<u>(54,889)</u>
	<u>136,169</u>	<u>132,229</u>

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

Governance	751,362	1,181,030
General Purpose Funding	0	0
Law, Order, Public Safety	1,038,828	407,015
Health	560,952	572,352
Education and Welfare	229,925	117,258
Housing	978,927	325,547
Community Amenities	708,458	916,347
Recreation and Culture	3,402,638	2,640,269
Transport	93,728,491	92,978,139
Economic Services	508,825	311,925
Other Property and Services	1,233,559	247,787
Unallocated	<u>2,412,899</u>	<u>1,295,899</u>
	<u>105,554,864</u>	<u>100,993,568</u>

**SHIRE OF JERRAMUNGUP**  
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<b>19. FINANCIAL RATIOS</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current Ratio	0.97	1.27	1.00
Asset Sustainability Ratio	2.49	2.51	2.77
Debt Service Cover Ratio	8.84	10.40	6.23
Operating Surplus Ratio	(0.14)	(0.10)	(0.20)
Own Source Revenue Coverage Ratio	0.68	0.67	0.64

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**Notes:**

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 58 of this document.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**20. TRUST FUNDS**

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

	Balance 1-Jul-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Youth Advisory Council	595	0	0	595
Fire Fighting Fund	5,581	0	0	5,581
JEC Key Bonds	350	880	(880)	350
Building Bonds	10,000	14,000	(10,000)	14,000
Housing Bonds	5,684	6,544	(6,084)	6,144
Subdivision Bonds	48,415	59,500	(43,123)	64,792
Other Bonds	22,182	0	0	22,182
Hall and Shire Property Bonds	1,250	0	0	1,250
Footpath Bonds	11,499	2,000	(3,000)	10,499
CLGF regional grant funding	723,836	1,349,004	(162,608)	1,910,232
	<u>829,392</u>			<u>2,035,625</u>

**21. DISPOSALS OF ASSETS - 2012/13 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>Governance</b>						
Toyota Prado	45,400	48,493	44,545	48,182	(855)	(311)
Toyota Kluger	30,442	31,843	25,000	24,998	(5,442)	(6,845)
<b>Community Amenities</b>						
Holden Rodeo	22,539	0	0	0	(22,539)	0
<b>Health</b>						
Holden Caprice	41,812	41,950	36,364	36,364	(5,448)	(5,586)
<b>Housing</b>						
2x Collins Street lots	0	67,416	0	50,000	0	(17,416)
<b>Building</b>						
Toyota Hilux	6,846	10,240	10,909	14,000	4,063	3,760
<b>Transport</b>						
Toyota Hilux	43,143	44,494	39,382	39,273	(3,761)	(5,221)
Toyota Hilux	14,529	18,114	10,909	14,000	(3,620)	(4,114)
Cat 120 H Grader	0	0	60,000	60,000	60,000	60,000
Volvo Grader	0	0	70,000	70,000	70,000	70,000
	<u>204,711</u>	<u>262,550</u>	<u>297,109</u>	<u>356,817</u>	<u>92,398</u>	<u>94,267</u>



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal 30-Jun-13		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Transport</b>								
Loan 257 - Staff Housing	17,078	0	17,078	17,078	0	0	543	614
<b>Community Amenities</b>								
Loan 258 - JMP Community Centre	36,558	0	11,491	11,658	25067	21,626	1,762	1,763
<b>Housing</b>								
Loan 259 - Key Personnel	401,400	0	43,186	43,186	358214	358,214	24,709	25,087
<b>Transport</b>								
Loan 260 - Bremer Bay Town Centre	0	500,000	0	0	500000	0	6,606	0
	455,036	500,000	71,755	71,922	883281	379,840	33,620	27,464

Loan 259 is associated with the Police Housing project - Council received \$72985 in rent for these properties for the year.  
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/13

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 260 - Bremer Bay Town Centre	500,000	1,000,000	WA Treasury	Debenture	10	117,315	4.10	500,000	1,000,000	0

Loan 260 - was budgeted to facilitate the construction of the Bremer Bay Town Centre. The budgeted figure was a provision only and the final loan was \$500000.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**22. INFORMATION ON BORROWINGS (Continued)**

(c) Unspent Debentures

Council had no unspent debentures as at 30th June 2013.

(d) Overdraft

Council did not require an overdraft facility during the 2012/2013 financial year.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**23. RATING INFORMATION - 2012/13 FINANCIAL YEAR**

(a) Rates

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential General Rate</b>											
Gross Rental Value	9.0500	447	4622784	418,362	15,417	(188)	433,591	416,733	0	0	416,733
Unimproved Value	1.0620	351	168579000	1,791,233	2,208	0	1,793,441	1,791,233	0	0	1,791,233
							0				
							0				
<b>Sub-Totals</b>		798	173,201,784	2,209,595	17,625	(188)	2,227,032	2,207,966	0	0	2,207,966
<b>Minimum Rates</b>	<b>Minimum \$</b>										
Gross Rental Value	630	377	1,979,517	237,510	0	0	237,510	237,510	23,310	0	260,820
Unimproved Value	630	42	808,130	26,460	0	0	26,460	26,460	0	0	26,460
<b>Sub-Totals</b>		419	2,787,647	263,970	0	0	263,970	263,970	23,310	0	287,280
							2,491,002				2,495,246
Write off small balances (refer note 26)							(444)				1,996
<b>Total Amount Raised from General Rate</b>							2,490,558				2,497,242
<b>Total Rates</b>							2,490,558				2,497,242

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**23. RATING INFORMATION - 2012/13 FINANCIAL YEAR (Continued)**

(b) Information on Surplus/(Deficit)	<b>2013</b>	<b>2013</b>	<b>2012</b>
Brought Forward	<b>(30 June 2013</b>	<b>(1 July 2012</b>	<b>(30 June 2012</b>
	<b>Carried</b>	<b>Brought</b>	<b>Carried</b>
	<b>Forward)</b>	<b>Forward)</b>	<b>Forward)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Surplus/(Deficit) - Rate Setting Statement</b>	<u><u>(684,521)</u></u>	<u><u>842,338</u></u>	<u><u>1,084,799</u></u>
<b>Comprises:</b>			
Cash - Unrestricted	36,278	(255,989)	(255,989)
Cash - Restricted	1,740,160	1,954,803	1,954,803
Rates - Current	66,840	46,029	46,029
Sundry Debtors	505,733	922,832	922,832
GST Receivable	31,854	39,528	39,528
- Fuel and Materials	26,857	17,554	17,554
Accrued Income	1,176	14,773	14,773
Prepaid expense	3,355	0	0
<b>Less:</b>			
Reserves - Restricted Cash			
- Leave Reserve	(30,349)	(57,693)	(57,693)
- Plant Reserve	(35,276)	(219,991)	(219,991)
- Building Reserve	(178,957)	(168,591)	(168,591)
- Bremer Bay Youth Camp Reserve	(47,252)	(44,515)	(44,515)
- Community Recreation Reserve	(58,459)	(55,073)	(55,073)
- Jerramungup Entertainment Centre Reserve	(7,704)	(7,258)	(7,258)
- Effluent Reserve	(393,718)	(349,578)	(349,578)
- Jerramungup Retirement Units Reserve	(84,771)	(99,261)	(99,261)
- Point Henry Fire Levy Reserve	(57,465)	(54,136)	(54,136)
- Bremer Bay Boat Ramp Reserve	(103,350)	(97,363)	(97,363)
- Bremer Bay Retirement Units Reserve	(87,398)	(101,736)	(101,736)
- Capital Works Reserve	(14,760)	(76,957)	(76,957)
- Swimming Pool Reserve	(7,356)	(6,930)	(6,930)
Committed Cash - Subdivision Contribution	(14,780)	(14,780)	
Provision - Annual Leave	(132,237)	(180,573)	
Provision - Long Service Leave	(94,732)	(97,696)	
Cash back leave provision	30,349	57,693	
Sundry Creditors	(129,438)	(180,960)	(180,960)
Accrued Salaries and Wages	(31,933)	(23,233)	(23,233)
Current Employee Benefits Provision	(43,364)	(29,667)	(29,667)
GST	(180,242)	(81,790)	(81,790)
Accrued expenses	<u><u>(24,540)</u></u>	<u><u>(7,104)</u></u>	<u><u></u></u>
	<u><u>684,521</u></u>	<u><u>842,338</u></u>	<u><u>1,084,798</u></u>

**Difference:**

The 2013 brought forward surplus of \$842,338 is different to the 2012 carried forward surplus from the 2012 audited financial report of \$1,084,798, due to the implementation of a revised calculation method, specifically from advice received from the Local Government Department.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**24. SPECIFIED AREA CHARGE- 2012/13 FINANCIAL YEAR**

	Rate in \$	Basis of Rate	Minimum Rate \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Effluent Area Charge</b>	3.7025	GRV	242	43,905	41,374	24,117	13,484
<b>Non Rateable First Fixture</b>					273		
<b>Additional Fixture Non Rateable</b>					392		
				43,905	42,039	24,117	13,484

The Shire of Jerramungup Effluent Area Rate is used to maintain the effluent system in the Jerramungup Townsite. The Jerramungup Effluent Charges are recorded as a fee and charge and funds are used to maintain and upgrade the wastewater system in Jerramungup. The balance of funds raised was transferred to the Jerramungup Effluent Reserve

**25. SERVICE CHARGES - 2012/13 FINANCIAL YEAR**

	Amount of Charge \$	Revenue Raised \$	Budget Revenue \$	Applied to Service Costs \$	Budget Applied to Costs \$
Nil		0	0	0	0

Council did not impose any service charges during 2012/2013.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2012/13 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Write off Small Balances	Write Off		444	557
			444	557

**27. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		11,649	11,064
Interest on Instalments Plan	5.00%		11,736	12,569
Charges on Instalment Plan		5	4,035	0
ESL Legal/Interest Levied			275	0
			27,695	23,633

Ratepayers had the option of paying rates in four equal instalments, due on 24th September 2012, 16th November 2012, 18th January 2013 and 15th March 2013. Administration charges and interest applied for the final three instalments.

<b>28. FEES &amp; CHARGES</b>	<b>2013</b> \$	<b>2012</b> \$
Governance	603	7,616
General Purpose Funding	8,025	3,200
Law, Order, Public Safety	23,018	23,953
Health	2,700	2,600
Education and Welfare	38,402	48,527
Housing	78,006	75,213
Community Amenities	270,765	286,085
Recreation and Culture	25,169	23,223
Transport	53,206	193,944
Economic Services	81,374	20,651
Other Property and Services	387,227	281,855
	<u>968,495</u>	<u>966,867</u>

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**29. GRANT REVENUE**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	1,427,284	1,595,160
Non-Operating Grants, Subsidies and Contributions	1,694,438	2,688,647
	<u>3,121,722</u>	<u>4,283,807</u>
<b>By Program:</b>		
Governance	18,608	28,908
General Purpose Funding	509,159	553,022
Law, Order, Public Safety	740,798	133,827
Health	401	1,322
Education and Welfare	30,844	1,147
Housing	0	0
Community Amenities	7,700	16,100
Recreation and Culture	209,831	227,402
Transport	1,542,491	3,105,016
Economic Services	0	0
Other Property and Services	61,890	217,063
	<u>3,121,722</u>	<u>4,283,807</u>

**30. ELECTED MEMBERS REMUNERATION**

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

	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Meeting Fees	56,000	56,000	56,000
President's Allowance	12,000	12,000	12,000
Deputy President's Allowance	3,000	3,000	3,000
Travelling Expenses	1,113	3,000	1,060
Telecommunications Allowance	7,000	7,000	7,000
	<u>79,113</u>	<u>81,000</u>	<u>79,060</u>

**31. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

	<b>2013</b>	<b>2012</b>
	<u>25</u>	<u>26</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**32. MAJOR LAND TRANSACTIONS**

(a) Details

(b) Current year transactions	2013 \$	2013 Budget \$	2012 \$
<b>Operating Revenue</b>			
- Profit on sale	0	0	0
<b>Capital Revenue</b>			
- Sale Proceeds	0	0	0
<b>Capital Expenditure</b>			
- Purchase of Land	0	0	0
- Development Costs	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

(c) Expected Future Cash Flows

	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	Total \$
<b>(Cash Outflows)</b>						
- Development Costs						0
- Loan Repayments						0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash Inflows</b>						
- Loan Proceeds						0
- Sale Proceeds						0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Cash Flows</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**34. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Financial Assets</b>				
Cash and cash equivalents	1,776,438	1,698,814	1,776,438	1,698,814
Receivables	608,958	1,023,531	608,958	1,023,531
Investments	0	0	0	0
	<u>2,385,396</u>	<u>2,722,345</u>	<u>2,385,396</u>	<u>2,722,345</u>
<b>Financial Liabilities</b>				
Payables	409,497	322,754	409,497	322,754
Borrowings	883,281	455,036	790,674	428,488
	<u>1,292,778</u>	<u>777,790</u>	<u>1,200,171</u>	<u>751,242</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Investments – based on quoted market prices at the reporting date or at independent valuation.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

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

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

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

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

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% (*) movement in interest rates on cash and investments:		
- Equity	177,644	169,881
- Statement of Comprehensive Income	177,644	169,881

**Notes:**

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

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

Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	17,764	16,988
- Statement of Comprehensive Income	17,764	16,988

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**34. FINANCIAL RISK MANAGEMENT (Continued)**  
**(b) Receivables**

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

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

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

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

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

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

	<b>2013</b>	<b>2012</b>
Percentage of Rates and Annual Charges		
- Current	1.86%	1.27%
- Overdue	98.14%	98.73%
Percentage of Other Receivables		
- Current	15.22%	99.35%
- Overdue	84.78%	0.65%

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

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2013</u></b>					
Payables	409,497	0	0	409,497	409,517
Borrowings	147,092	531,326	411,533	1,089,951	883,281
	<u>556,589</u>	<u>531,326</u>	<u>411,533</u>	<u>1,499,448</u>	<u>1,292,798</u>
<b><u>2012</u></b>					
Payables	322,754	0	0	322,754	322,754
Borrowings	103,053	297,821	171,459	572,333	455,036
	<u>425,807</u>	<u>297,821</u>	<u>171,459</u>	<u>895,087</u>	<u>777,790</u>

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>Year Ended 30 June 2013</u></b>								
Payables								
Borrowings								
<b>Fixed Rate</b>								
Debentures		25,066				858,214	883,280	5.09%
Weighted Average								
Effective Interest Rate		5.80%				5.07%		
<b><u>Year Ended 30 June 2012</u></b>								
Payables								
Borrowings								
<b>Fixed Rate</b>								
Debentures	17,078		36,558			401,400	455,036	6.34%
Weighted Average								
Effective Interest Rate	5.72%		5.80%			6.42%		

**INDEPENDENT AUDITOR'S REPORT  
TO THE RATEPAYERS OF THE SHIRE OF JERRAMUNGUP**



***Report on the Financial Report***

We have audited the accompanying financial report of the Shire of Jerramungup, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 council, as well as evaluating the overall presentation of the financial report.

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

***Independence***

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

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**INDEPENDENT AUDITOR'S REPORT  
TO THE RATEPAYERS OF THE SHIRE OF JERRAMUNGUP**

*Auditor's Opinion*

In our opinion the financial report of the Shire of Jerramungup 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 2013 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.
- (e) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and in our opinion these are:
  - i) Based on verifiable information; and
  - ii) Reasonable assumptions.



Russell Harrison, Partner

Lincolns Accountants and Business Advisers

70 - 74 Frederick Street, Albany WA

Dated this 16<sup>th</sup> day of December 2013.

**SHIRE OF JERRAMUNGUP  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2013**

**RATIO INFORMATION**

The following information relates to these ratios which only require attestation they have been checked and are supported by verifiable information.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Asset Consumption Ratio	<b>0.984</b>	<b>N/A</b>	<b>N/A</b>
Asset Renewal Funding Ratio	<b>0.475</b>	<b>N/A</b>	<b>N/A</b>

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.**

