

**SHIRE OF JERRAMUNGUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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Principal place of business: 8 Vasey Street Jerramungup WA 6337	

SHIRE OF JERRAMUNGUP  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014

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 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Jerramungup at 30th June 2014 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

10<sup>th</sup> day of DECEMBER 2014



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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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	23	2,683,887	2,660,790	2,490,558
Operating Grants, Subsidies and Contributions	29	1,320,456	1,210,751	1,427,284
Fees and Charges	28	961,752	853,748	968,495
Service Charges	25	0	0	0
Interest Earnings	2(a)	83,299	103,022	108,503
Other Revenue	2(a)	517,894	450,377	453,847
		<u>5,567,288</u>	<u>5,278,688</u>	<u>5,448,687</u>
<b>Expenses</b>				
Employee Costs		(2,067,443)	(1,998,289)	(1,873,475)
Materials and Contracts		(2,095,448)	(1,972,858)	(2,161,641)
Utility Charges		(160,671)	(146,359)	(151,079)
Depreciation on Non-Current Assets	2(a)	(1,429,490)	(1,413,997)	(1,421,500)
Interest Expenses	2(a)	(46,235)	(43,425)	(33,620)
Insurance Expenses		(304,646)	(284,464)	(279,657)
Other Expenditure		(197,363)	79,210	(194,143)
		<u>(6,301,296)</u>	<u>(5,780,182)</u>	<u>(6,115,115)</u>
		(734,008)	(501,494)	(666,428)
Local Government Trust Units	2(a)	131,226	0	0
Initial Recognition of Vested Land	2(a)	1,406,625	0	0
Non-Operating Grants, Subsidies and Contributions	29	819,618	1,404,818	1,694,438
Loss on Revaluation of Fixed Assets		0	0	0
Profit on Asset Disposals	21	54,573	53,379	134,063
Loss on Asset Disposals	21	(205,696)	(28,011)	(41,666)
<b>NET RESULT</b>		<b>1,472,338</b>	<b>928,692</b>	<b>1,120,407</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	13	17,153,397	0	240,503
Adjustment to Revaluation Reserve	13	(66,544)	0	0
<b>Total Other Comprehensive Income</b>		<b>17,086,853</b>	<b>0</b>	<b>240,503</b>
<b>Total Comprehensive Income</b>		<b><u>18,559,191</u></b>	<b><u>928,692</u></b>	<b><u>1,360,910</u></b>

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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		16,571	0	10,362
General Purpose Funding		3,109,754	3,053,337	3,127,233
Law, Order, Public Safety		205,200	148,814	137,487
Health		4,743	2,901	4,813
Education and Welfare		45,192	41,022	40,600
Housing		86,030	79,313	78,135
Community Amenities		338,017	356,954	283,098
Recreation and Culture		245,782	190,577	82,577
Transport		592,761	622,386	715,698
Economic Services		30,956	39,210	101,109
Other Property and Services		892,282	744,175	867,575
	<b>2(a)</b>	<u>5,567,288</u>	<u>5,278,689</u>	<u>5,448,687</u>
<b>Expenses</b>				
Governance		(335,647)	(221,512)	(509,485)
General Purpose Funding		(107,720)	(78,682)	(113,101)
Law, Order, Public Safety		(517,418)	(497,079)	(496,847)
Health		(190,711)	(98,283)	(100,444)
Education and Welfare		(118,455)	(123,068)	(122,507)
Housing		(47,137)	(47,678)	(40,330)
Community Amenities		(872,608)	(903,353)	(816,117)
Recreation & Culture		(807,738)	(725,197)	(705,925)
Transport		(2,403,640)	(2,534,864)	(2,435,876)
Economic Services		(185,527)	(188,918)	(180,096)
Other Property and Services		(668,460)	(318,124)	(573,981)
	<b>2(a)</b>	<u>(6,255,061)</u>	<u>(5,736,758)</u>	<u>(6,094,709)</u>
<b>Financial Costs</b>				
Housing		(21,847)	(22,270)	(24,709)
Community Amenities		(4,569)	(1,075)	(1,762)
Transport		(19,819)	(20,080)	6,063
	<b>2(a)</b>	<u>(46,235)</u>	<u>(43,425)</u>	<u>(20,408)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Governance		131,226	0	0
Law, Order, Public Safety		45,408	262,868	626,848
Education and Welfare		0	0	28,906
Community Amenities		12,283	0	0
Recreation & Culture		1,406,625	7,500	157,648
Transport		761,927	1,134,450	881,037
		<u>2,357,469</u>	<u>1,404,818</u>	<u>1,694,439</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		(15,403)	(8,083)	(6,297)
Health		(8,931)	(9,301)	(5,448)
Community Amenities		(28,488)	(6,879)	(22,539)
Recreation & Culture		(75,576)	0	0
Transport		41,911	49,631	122,619
Economic Services		(64,636)	0	4,063
		<u>(151,123)</u>	<u>25,368</u>	<u>92,398</u>
<b>Net Result</b>		<u><b>1,472,338</b></u>	<u><b>928,692</b></u>	<u><b>1,120,407</b></u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	17,153,397	0	240,503
Adjustment to revaluation reserve	13	(66,544)	0	0
<b>Total Other Comprehensive Income</b>		<u><b>17,086,853</b></u>	<u><b>0</b></u>	<u><b>240,503</b></u>
<b>Total Comprehensive Income</b>		<u><u><b>18,559,191</b></u></u>	<u><u><b>928,692</b></u></u>	<u><u><b>1,360,910</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 2014**

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	1,429,254	1,776,438
Trade and Other Receivables	4	95,422	608,958
Inventories	5	20,264	26,857
<b>TOTAL CURRENT ASSETS</b>		<u>1,544,940</u>	<u>2,412,253</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	1,265	647
Investments	6	131,226	0
Property, Plant and Equipment	7	28,210,222	10,994,876
Infrastructure	8	94,256,139	92,147,088
<b>TOTAL NON-CURRENT ASSETS</b>		<u>122,598,852</u>	<u>103,142,611</u>
<b>TOTAL ASSETS</b>		<u>124,143,793</u>	<u>105,554,864</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	162,293	409,497
Current Portion of Long Term Borrowings	10	130,516	99,724
Provisions	11	286,017	226,969
<b>TOTAL CURRENT LIABILITIES</b>		<u>578,826</u>	<u>736,190</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	10	1,000,064	783,557
Provisions	11	37,635	67,042
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,037,699</u>	<u>850,599</u>
<b>TOTAL LIABILITIES</b>		<u>1,616,525</u>	<u>1,586,789</u>
<b>NET ASSETS</b>		<u>122,527,269</u>	<u>103,968,075</u>
<b>EQUITY</b>			
Retained Surplus		48,925,019	47,410,917
Reserves - Cash Backed	12	1,065,052	1,106,814
Revaluation Surplus	13	72,537,198	55,450,344
<b>TOTAL EQUITY</b>		<u>122,527,269</u>	<u>103,968,075</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 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2012</b>		<b>46,058,239</b>	<b>1,339,085</b>	<b>55,209,841</b>	<b>102,607,165</b>
Comprehensive Income		1,120,407	0	0	1,120,407
Net Result		1,120,407	0	240,503	240,503
Changes on Revaluation of Non-Current Assets	13	0	0	240,503	240,503
Total Comprehensive Income		1,120,407	0	240,503	1,360,910
Transfers from/(to) Reserves		232,271	(232,271)	0	0
<b>Balance as at 30 June 2013</b>		<b>47,410,917</b>	<b>1,106,814</b>	<b>55,450,344</b>	<b>103,968,075</b>
Comprehensive Income		1,472,338	0	0	1,472,338
Net Result		0	0	(66,544)	(66,544)
Adjustment to Revaluation Reserve	13	0	0	17,153,397	17,153,397
Changes on Revaluation of Non-Current Assets	13	0	0	17,086,853	17,153,397
Total Comprehensive Income		1,472,338	0	17,086,853	18,559,191
Transfers from/(to) Reserves		41,762	(41,762)	0	0
<b>Balance as at 30 June 2014</b>		<b>48,925,019</b>	<b>1,065,052</b>	<b>72,537,198</b>	<b>122,527,269</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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		2,686,901	2,660,791	2,469,469
Operating Grants, Subsidies and Contributions		1,790,324	1,602,226	1,427,284
Fees and Charges		970,990	853,748	1,385,594
Interest Earnings		82,243	103,022	122,100
Goods and Services Tax		223,195	45,000	7,674
Other Revenue		517,894	450,376	453,847
		<u>6,271,547</u>	<u>5,715,164</u>	<u>5,865,968</u>
<b>Payments</b>				
Employee Costs		(2,223,375)	(2,018,289)	(1,905,579)
Materials and Contracts		(2,165,905)	(1,952,899)	(2,210,729)
Utility Charges		(156,303)	(146,359)	(151,079)
Interest Expenses		(44,389)	(43,425)	(27,942)
Insurance Expenses		(304,646)	(284,464)	(279,657)
Goods and Services Tax		(182,136)	(25,000)	98,452
Other Expenditure		(197,361)	79,210	(194,143)
		<u>(5,274,115)</u>	<u>(4,391,226)</u>	<u>(4,670,677)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	14(b)	<u>997,432</u>	<u>1,323,938</u>	<u>1,195,291</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(622,828)	(1,362,119)	(1,507,317)
Payments for Construction of Infrastructure		(2,000,826)	(2,382,044)	(2,026,788)
Advances to Community Groups		0	0	0
Non-Operating Grants, Subsidies and Contributions		819,618	1,404,818	1,694,439
Proceeds from Sale of Fixed Assets		212,122	240,136	297,109
		<u>212,122</u>	<u>240,136</u>	<u>297,109</u>
<b>Net Cash Provided by (Used in) Investment Activities</b>		<u>(1,591,914)</u>	<u>(2,099,209)</u>	<u>(1,542,557)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(102,702)	(99,723)	(75,110)
Proceeds from Self Supporting Loans		0	0	0
Proceeds from New Debentures		350,000	350,000	500,000
		<u>350,000</u>	<u>350,000</u>	<u>500,000</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>247,298</u>	<u>250,277</u>	<u>424,890</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(347,184)</u>	<u>(524,994)</u>	<u>77,624</u>
Cash at Beginning of Year		1,776,438	1,776,439	1,698,814
<b>Cash and Cash Equivalents at the End of the Year</b>	14(a)	<u><u>1,429,254</u></u>	<u><u>1,251,445</u></u>	<u><u>1,776,438</u></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 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		147,797	0	10,362
General Purpose Funding		425,867	392,547	636,675
Law, Order, Public Safety		250,608	411,682	764,335
Health		4,743	2,901	4,813
Education and Welfare		45,192	41,022	69,506
Housing		86,030	79,313	78,135
Community Amenities		350,300	356,954	283,098
Recreation and Culture		1,652,407	198,077	240,225
Transport		1,409,261	1,810,215	1,726,735
Economic Services		30,956	39,210	105,172
Other Property and Services		892,282	744,175	867,575
		<u>5,295,443</u>	<u>4,076,096</u>	<u>4,786,631</u>
<b>Expenses</b>				
Governance		(351,050)	(229,595)	(515,782)
General Purpose Funding		(107,720)	(78,682)	(113,101)
Law, Order, Public Safety		(517,418)	(497,079)	(496,847)
Health		(199,642)	(107,584)	(105,892)
Education and Welfare		(118,455)	(123,068)	(122,507)
Housing		(68,984)	(69,948)	(65,039)
Community Amenities		(905,665)	(911,307)	(840,418)
Recreation and Culture		(883,314)	(725,197)	(705,925)
Transport		(2,436,121)	(2,558,692)	(2,437,194)
Economic Services		(250,163)	(188,918)	(180,096)
Other Property and Services		(668,460)	(318,124)	(573,981)
		<u>(6,506,992)</u>	<u>(5,808,195)</u>	<u>(6,156,782)</u>
<b>Net Result Excluding Rates</b>		<b>(1,211,549)</b>	<b>(1,732,100)</b>	<b>(1,370,151)</b>
<b>Adjustments for Cash Budget Requirements:</b>				
Initial Recognition of Assets Due to Change to Regulations				
- Vested Land		(1,406,625)	0	0
- Local Government Trust Units		(131,226)	0	0
(Profit)/Loss on Asset Disposals	21	151,123	(25,368)	(92,398)
Movement in Deferred Pensioner Rates (Non-Current)		(618)	0	(278)
Movement in Employee Benefit Provisions (Non-current)		(29,407)	0	(54,501)
Depreciation and Amortisation on Assets	2(a)	1,429,490	1,413,997	1,421,500
Movement in accruals		59,070	0	23,935
<b>Capital Expenditure and Revenue</b>				
Purchase Land Held for Resale		0	0	0
Purchase Land and Buildings	7(a)	(138,943)	(881,200)	(284,984)
Purchase Furniture and Equipment	7(a)	(8,573)	(35,000)	(5,391)
Purchase Plant and Equipment	7(a)	(475,312)	(445,914)	(1,216,942)
Purchase Roads	8(a)	(1,761,109)	(2,382,044)	(1,999,972)
Purchase Footpaths	8(a)	(42,467)	0	0
Purchase Drainage	8(a)	0	0	0
Purchase Parks & Ovals	8(a)	(198)	0	(26,816)
Purchase Other Infrastructure	8(a)	(197,052)	0	0
Purchase Infrastructure - Sewerage	8(a)	0	0	0
Proceeds from Disposal of Fixed Assets	21	212,122	240,136	297,109
Repayment of Debentures	22(a)	(102,702)	(99,723)	(71,755)
Proceeds from New Debentures	22(a)	350,000	350,000	500,000
Proceeds from Self Supporting Loans		0	0	0
Transfers to Reserves (Restricted Assets)	12	(232,392)	(236,533)	(109,730)
Transfers from Reserves (Restricted Assets)	12	274,154	241,900	342,000
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	23(b)	895,922	933,037	842,338
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	23(b)	317,595	1,979	684,522
<b>Total Amount Raised from General Rate</b>	<b>23</b>	<b><u>(2,683,887)</u></b>	<b><u>(2,660,791)</u></b>	<b><u>(2,490,558)</u></b>

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 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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 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.

**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. A separate statement of those monies appears at Note 20. to these financial statements.

**(b) 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 2014**

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

**(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments 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 reported as short term borrowings in current liabilities in the statement of financial position.

**(d) 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.

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

**(e) 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 Sale***

Land held for development and sale 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 profit or loss 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 sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(f) Fixed Assets**

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and 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.

In 2013, Council 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 was 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 the 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.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(f) Fixed Assets (Continued)**

***Initial Recognition and Measurement between Mandatory Revaluation Dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, 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.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

***Revaluation***

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

***Transitional Arrangements***

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.

***Early Adoption of AASB 13 - Fair Value Measurement***

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(f) Fixed Assets (Continued)**

***Land Under Roads***

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 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**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Depreciation***

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset 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
- kerb	30 years
Gravel roads	
formation	not depreciated
pavement	30 years
Formed roads (unsealed)	
formation	not depreciated
pavement	30 years
Footpaths	50 years
Drainage, Sewerage fixtures etc	50 years
Other Infrastructure	50 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 in the period in which they arise.

***Capitalisation Threshold***

Expenditure on items of equipment under \$2,000 is not capitalised.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(g) Fair Value of Assets and Liabilities**

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that Council would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

***Fair Value Hierarchy***

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

***Valuation techniques***

The Council selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Council are consistent with one or more of the following valuation approaches:

**Market approach**

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(g) Fair Value of Assets and Liabilities (Continued)**

**Income approach**

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach**

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

**(h) Financial Instruments**

***Initial Recognition and Measurement***

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

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 and any reduction for impairment; and
- (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.

The effective interest 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.



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(h) Financial Instruments (Continued)**

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

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

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

They are subsequently measured at fair value with changes in such fair value (i.e. 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 that 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.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(h) Financial Instruments (Continued)**

***Impairment***

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 (a "loss event") 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 assets, 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 to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

***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 continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. 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.

**(i) Impairment of Assets**

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 (e.g. AASB 116) whereby 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.

**(j) 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.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(k) Employee Benefits**

**Short-Term Employee Benefits**

Provision is made for the Council's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other Long-Term Employee Benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(l) 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 until such time as the asset is substantially ready for its intended use or sale.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(m) Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and 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.

**(n) Leases**

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

**(o) Investment in Associates**

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. 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. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, 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.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(p) Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

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

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

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

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

**(r) 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.

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

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

**(t) Rounding Off Figures**

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(u) 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**(v) Budget Comparative Figures**

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

**(w) 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 pronouncements that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows:

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2017	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 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 2013	1 January 2017	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**  
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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]  [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.  It is not expected to have a significant impact on Council.
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities  [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation 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.  This Standard is not expected to significantly impact the Council's financial statements.



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	It is not expected to have a significant impact on Council.  This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.  It is not expected to have a significant impact on Council.
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards.  Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.  Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.  As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

<sup>(1)</sup> 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 2014**

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

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

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>	
	<b>\$</b>	<b>\$</b>	
<b>(a) Net Result</b>			
The Net Result includes:			
(i) Charging as an Expense:			
<b>Significant Expense</b>	<u>0</u>	<u>0</u>	
<b>Auditors Remuneration</b>			
- Audit of the annual financial report	14,050	5,721	
- Advice fair value, audit committee & strategic waste management	0	1,290	
- Grant Funding and acquital	1,000	6,739	
<b>Depreciation</b>			
Non-Specialised Buildings	70,167	0	
Specialised Buildings	38,510	202,775	
Furniture and Equipment	6,578	10,762	
Plant and Equipment	335,403	343,836	
Roads	856,547	838,304	
Footpaths	4,688	4,340	
Drainage	5,696	5,696	
Parks & Ovals	7,065	1,882	
Other Infrastructure	97,672	6,741	
Infrastructure - Sewerage	7,164	7,164	
	<u>1,429,490</u>	<u>1,421,500</u>	
<b>Interest Expenses (Finance Costs)</b>			
Debentures (refer Note 22.(a))	46,235	33,620	
	<u>46,235</u>	<u>33,620</u>	
(ii) Crediting as Revenue:			
<b>Significant Revenue</b>			
Initial recognition of vested land	1,406,625	0	
Local Government Trust Units	131,226	0	
	<u>1,537,851</u>	<u>0</u>	
<b>Other Revenue</b>			
Reimbursements and Recoveries	48,157	43,712	
Other	469,737	410,135	
	<u>517,894</u>	<u>453,847</u>	
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest Earnings</b>			
- Reserve Funds	35,591	44,272	72,161
- Other Funds	20,550	35,000	12,682
Other Interest Revenue (refer note 27)	27,158	23,750	23,660
	<u>83,299</u>	<u>103,022</u>	<u>108,503</u>

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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.

**COMMUNITY VISION**

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

**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 and interest revenue.

**LAW, ORDER, PUBLIC SAFETY**

**Objective:**

To provide services to help ensure a safer and environmentally conscious community.

**Activities:**

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

**HEALTH**

**Objective:**

To provide an operational framework for environmental and 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 pre-school facility, childcare centres 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 2014**

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

**(b) Statement of Objective (Continued)**

**COMMUNITY AMENITIES**

**Objective:**

To 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 effectively manage infrastructure and resources which will help the social well being of the community.

**Activities:**

Maintenance of halls, sporting complexes, resource centres, various parks and associated facilities and provision of library services in Jerramungup and Bremer Bay.

**TRANSPORT**

**Objective:**

To provide safe, effective and efficient transport services to the community.

**Activities:**

Construction and maintenance of roads, streets, footpaths, bridges, cleaning and lighting of streets, parking facilities, traffic signs, depot maintenance and airstrip maintenance.

**ECONOMIC SERVICES**

**Objective:**

To help promote the shire and 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**

**Objective:**

To monitor and control council's overheads operating accounts.

**Activities:**

Private works operations, plant repairs and operation 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 2014**

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

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening Balance<sup>(1)</sup></b>	<b>Received<sup>(2)</sup></b>	<b>Expended<sup>(3)</sup></b>	<b>Closing Balance<sup>(1)</sup></b>	<b>Received<sup>(2)</sup></b>	<b>Expended<sup>(3)</sup></b>	<b>Closing Balance</b>
<b>Grant/Contribution</b>	<b>Function/Activity</b>	<b>1/07/12</b>	<b>2012/13</b>	<b>2012/13</b>	<b>30/06/13</b>	<b>2013/14</b>	<b>2013/14</b>	<b>30/06/14</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Main Roads - Swamp Road Upgrade	Transport	248,844	0	(125,094)	123,750	0	(123,750)	0
Regional Waste Management*	Other Property and Services	151,335	0	(3,834)	147,501	0	(147,501)	0
BB Town Centre(CLGF) and GSDC	Transport	178,209	0	(178,209)	0	0	0	0
BB Town Centre (CLGF)	Transport	0	324,822	0	324,822	0	(324,822)	0
Kidsport	Recreation and Culture	22,553	0	(60)	22,493	0	(1,028)	21,465
Fosters Beach Rehabilitation(SCNRM)	Recreation and Culture	0	0	0	0	21,120	(12,984)	8,136
Upgrade Transfer Station	Community Amenities	0	0	0	0	12,283	0	12,283
<b>Total</b>		<b>600,941</b>	<b>324,822</b>	<b>(307,197)</b>	<b>618,566</b>	<b>33,403</b>	<b>(610,085)</b>	<b>41,884</b>

**Notes:**

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

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

**(3)** - 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.

**(\*)** - Grant was not expended but the funds are no longer part of restricted cash as the funds were transferred to trust.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2014 \$	2013 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		76,532	36,278
Restricted		1,352,722	1,740,160
		<u>1,429,254</u>	<u>1,776,438</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	12	31,320	30,349
Plant Reserve	12	39,375	35,276
Community Recreation	12	112,365	58,459
Bremer Bay Youth Camp Reserve	12	48,763	47,252
Building Reserve	12	40,824	178,957
Bremer Bay Retirement Units Reserve	12	90,193	87,397
JMP Entertainment Centre Reserve	12	7,951	7,704
Effluent Reserve	12	428,172	393,718
Point Henry Fire Levy Reserve	12	49,129	57,465
Jerramungup Retirement Units Reserve	12	87,482	84,771
Fishery Beach Boat Ramp Reserve	12	106,655	103,350
Capital Works Reserve	12	15,232	14,760
Swimming Pool Reserve	12	7,591	7,356
Restricted bank account		14,780	14,780
Unspent Grants	2(c)	41,884	618,566
Unspent Loans	22(c)	231,006	0
		<u>1,352,722</u>	<u>1,740,160</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		63,208	66,840
Sundry Debtors		9,238	505,733
GST Receivable		20,744	31,854
Prepaid expenses		0	3,355
Accrued income		2,232	1,176
		<u>95,422</u>	<u>608,958</u>
<b>Non-Current</b>			
Rates Outstanding - Pensioners		1,265	647
		<u>1,265</u>	<u>647</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and Materials		20,264	26,857
		<u>20,264</u>	<u>26,857</u>
<b>6. INVESTMENTS</b>			
<b>Non-Current</b>			
Local Government Trust Units(3 @ \$43742)		131,226	0
		<u>131,226</u>	<u>0</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013
	\$	\$
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	1,957,211	0
- Cost	<u>0</u>	<u>544,863</u>
	1,957,211	544,863
Land Vested In and Under the Control of Council at:		
- Independent Valuation 2014	<u>1,406,625</u>	<u>0</u>
	1,406,625	0
<b>Total Land</b>	<u><u>3,363,836</u></u>	<u><u>544,863</u></u>
Non-Specialised Buildings at:		
- Independent Valuation 2014	8,791,500	0
- Cost	0	8,344,793
Less: Accumulated Depreciation	<u>0</u>	<u>(2,054,853)</u>
	8,791,500	6,289,940
Specialised Buildings at:		
- Independent Valuation 2014	13,599,668	0
- Cost	0	2,537,380
Less: Accumulated Depreciation	<u>0</u>	<u>(919,247)</u>
	13,599,668	1,618,133
<b>Total Buildings</b>	<u><u>22,391,168</u></u>	<u><u>7,908,073</u></u>
<b>Total Land and Buildings</b>	<u><u>25,755,004</u></u>	<u><u>8,452,936</u></u>
Furniture and Equipment at:		
- Management Valuation 2013	14,666	14,666
- Additions after Valuation - Cost	8,574	0
Less Accumulated Depreciation	<u>(6,579)</u>	<u>0</u>
	16,661	14,666
Plant and Equipment at:		
- Management Valuation 2013	2,527,274	2,527,274
- Additions after Valuation - Cost	266,238	0
Less Accumulated Depreciation	<u>(354,955)</u>	<u>0</u>
	2,438,557	2,527,274
	<u><u>28,210,222</u></u>	<u><u>10,994,876</u></u>



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Land and Buildings:**

The Shire's Land and Buildings was revalued at 30 June 2014 by Opteon. The valuation were based on cost or market. The revaluation resulted in an overall increase of \$17,153,397 in the net value of the Shires Land and Buildings. All of this increase was credited to the revaluation surplus in the Shire's equity and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive income.

**Plant and Equipment:**

Plant items sold this year were adjusted to incorporate changes in valuation made through fair value adjustments at 30th June 2013. This amounted to a revaluation adjustment of \$66,544. This reduced the previous year Plant and Equipment revaluation figure down to \$174,113.

SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014

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

**(a) 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.

	Balance at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements)	Transfers between classes	Depreciation (Expense)	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$
Freehold Land (Level 2)	544,863	0	(33,949)	1,603,615	(157,318)	0	1,957,211
Land Vested In and Under the Control of Council (Level 3)	0	1,406,625	0	0	0	0	1,406,625
<b>Total Land</b>	<b>544,863</b>	<b>1,406,625</b>	<b>(33,949)</b>	<b>1,603,615</b>	<b>(157,318)</b>	<b>0</b>	<b>3,363,836</b>
Non-Specialised Buildings (Level 3)	6,289,940	138,943	(77,184)	4,525,296	(2,015,329)	(70,167)	8,791,499
Specialised Buildings (Level 3)	1,618,133	0	0	11,024,486	995,559	(38,510)	13,599,668
<b>Total Buildings</b>	<b>7,908,073</b>	<b>138,943</b>	<b>(77,184)</b>	<b>15,549,782</b>	<b>(1,019,770)</b>	<b>(108,677)</b>	<b>22,391,167</b>
<b>Total Land and Buildings</b>	<b>8,452,936</b>	<b>1,545,568</b>	<b>(111,133)</b>	<b>17,153,397</b>	<b>(1,177,088)</b>	<b>(108,677)</b>	<b>25,755,003</b>
Furniture and Equipment (Level 3)	14,666	8,573	0	0	0	(6,578)	16,661
Plant and Equipment (Level 2)	2,527,274	475,312	(228,626)	0	0	(335,403)	2,438,557
<b>Total Property, Plant and Equipment</b>	<b>10,994,876</b>	<b>2,029,453</b>	<b>(339,769)</b>	<b>17,153,397</b>	<b>(1,177,088)</b>	<b>(450,658)</b>	<b>28,210,222</b>

Some assets were reclassified between classifications as at 30.6.2014. Those movements between classifications are showing under the "Transfer between classes" heading. The total "transfer between classes" of Property, Plant and Equipment of \$1,177,088 nets off against note 8 total "transfer between classes" of Infrastructure.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. INFRASTRUCTURE</b>		
Roads		
- Deemed cost 2010	93,248,103	93,248,103
- Additions after Valuation - Cost	12,400,294	10,639,185
Less Accumulated Depreciation	<u>(14,379,770)</u>	<u>(13,523,223)</u>
	91,268,627	90,364,065
Footpaths		
- Cost	418,042	375,575
Less Accumulated Depreciation	<u>(89,079)</u>	<u>(84,391)</u>
	328,963	291,184
Drainage		
- Cost	789,661	790,081
Less Accumulated Depreciation	<u>(165,461)</u>	<u>(160,184)</u>
	624,200	629,897
Parks & Ovals		
- Cost	1,018,155	274,708
Less Accumulated Depreciation	<u>(26,946)</u>	<u>(59,974)</u>
	991,209	214,734
Other Infrastructure		
- Cost	1,245,360	667,468
Less Accumulated Depreciation	<u>(369,740)</u>	<u>(194,944)</u>
	875,620	472,524
Infrastructure - Sewerage		
- Cost	358,200	358,200
Less Accumulated Depreciation	<u>(190,680)</u>	<u>(183,516)</u>
	167,520	174,684
	<u>94,256,139</u>	<u>92,147,088</u>

SHIRE OF JERRAMUNGUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2014

8. 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.

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements)	Transfer between classes	Depreciation (Expense)	Carrying Amount at the End of Year
	\$	\$	\$	\$	\$	\$	\$
Roads	90,364,065	1,761,109	0	0	0	(856,547)	91,268,627
Footpaths	291,184	42,467	0	0	0	(4,688)	328,963
Drainage	629,897	0	0	0	0	(5,696)	624,201
Parks & Ovals	214,734	198	(10,122)	0	793,465	(7,065)	991,210
Other Infrastructure	472,524	197,052	(79,907)	0	383,623	(97,672)	875,620
Infrastructure - Sewerage	174,684	0	0	0	0	(7,164)	167,520
<b>Total</b>	<b>92,147,088</b>	<b>2,000,826</b>	<b>(90,029)</b>	<b>0</b>	<b>1,177,088</b>	<b>(978,832)</b>	<b>94,256,139</b>

Some assets were reclassified between classifications as at 30.6.2014. Those movements between classifications are showing under the "Transfer between classes" heading. The total Infrastructure "transfer between classes" of \$1,177,088 nets off against note 7(a) total "transfer between classes" of Property, Plant and Equipment.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	68,199	129,418
Accrued Interest on Debentures	14,628	12,782
Accrued Salaries and Wages	30,143	31,933
ATO Liabilities	39,823	223,606
Accrued expenses	0	11,758
Income in advance	9,500	0
	<u>162,293</u>	<u>409,497</u>

**10. LONG-TERM BORROWINGS**

<b>Current</b>		
Debentures	<u>130,516</u>	<u>99,724</u>
	<u>130,516</u>	<u>99,724</u>
<b>Non-Current</b>		
Debentures	<u>1,000,064</u>	<u>783,557</u>
	<u>1,000,064</u>	<u>783,557</u>

Additional detail on borrowings is provided in Note 22.

**11. PROVISIONS**

Analysis of Total Provisions

Current	286,017	226,969
Non-Current	<u>37,635</u>	<u>67,042</u>
	<u>323,652</u>	<u>294,011</u>

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance at 1 July 2013	132,238	161,773	294,011
Additional provision	<u>15,202</u>	<u>14,439</u>	<u>29,641</u>
Balance at 30 June 2014	<u>147,440</u>	<u>176,212</u>	<u>323,652</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014 \$	2014 Budget \$	2013 \$
<b>12. RESERVES - CASH BACKED</b>			
<b>(a) Leave Reserve</b>			
Opening Balance	30,349	30,349	57,696
Amount Set Aside / Transfer to Reserve	971	1,214	2,653
Amount Used / Transfer from Reserve	0	0	(30,000)
	<u>31,320</u>	<u>31,563</u>	<u>30,349</u>
<b>(b) Plant Reserve</b>			
Opening Balance	35,276	35,275	219,991
Amount Set Aside / Transfer to Reserve	76,642	76,411	22,285
Amount Used / Transfer from Reserve	(72,543)	0	(207,000)
	<u>39,375</u>	<u>111,686</u>	<u>35,276</u>
<b>(c) Community Recreation</b>			
Opening Balance	58,459	58,459	55,073
Amount Set Aside / Transfer to Reserve	83,906	83,314	3,386
Amount Used / Transfer from Reserve	(30,000)	(61,900)	0
	<u>112,365</u>	<u>79,873</u>	<u>58,459</u>
<b>(d) Bremer Bay Youth Camp Reserve</b>			
Opening Balance	47,252	47,252	44,515
Amount Set Aside / Transfer to Reserve	1,511	1,890	2,737
Amount Used / Transfer from Reserve	0	0	0
	<u>48,763</u>	<u>49,142</u>	<u>47,252</u>
<b>(e) Building Reserve</b>			
Opening Balance	178,957	178,956	168,591
Amount Set Aside / Transfer to Reserve	3,478	7,158	10,366
Amount Used / Transfer from Reserve	(141,611)	(150,000)	0
	<u>40,824</u>	<u>36,114</u>	<u>178,957</u>
<b>(f) Bremer Bay Retirement Units Reserve</b>			
Opening Balance	87,397	87,398	101,736
Amount Set Aside / Transfer to Reserve	2,796	3,496	5,661
Amount Used / Transfer from Reserve	0	0	(20,000)
	<u>90,193</u>	<u>90,894</u>	<u>87,397</u>
<b>(g) JMP Entertainment Centre Reserve</b>			
Opening Balance	7,704	7,704	7,258
Amount Set Aside / Transfer to Reserve	247	308	446
Amount Used / Transfer from Reserve	0	0	0
	<u>7,951</u>	<u>8,012</u>	<u>7,704</u>
<b>(h) Effluent Reserve</b>			
Opening Balance	393,718	393,718	349,578
Amount Set Aside / Transfer to Reserve	34,454	37,243	44,140
Amount Used / Transfer from Reserve	0	0	0
	<u>428,172</u>	<u>430,961</u>	<u>393,718</u>
<b>(i) Point Henry Fire Levy Reserve</b>			
Opening Balance	57,465	57,464	54,136
Amount Set Aside / Transfer to Reserve	21,664	17,090	3,329
Amount Used / Transfer from Reserve	(30,000)	(30,000)	0
	<u>49,129</u>	<u>44,554</u>	<u>57,465</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

<b>(j) Jerramungup Retirement Units Reserve</b>			
Opening Balance	84,771	84,771	99,261
Amount Set Aside / Transfer to Reserve	2,711	3,391	5,510
Amount Used / Transfer from Reserve	0	0	(20,000)
	<u>87,482</u>	<u>88,162</u>	<u>84,771</u>
<b>(k) Fishery Beach Boat Ramp Reserve</b>			
Opening Balance	103,350	103,350	97,363
Amount Set Aside / Transfer to Reserve	3,305	4,134	5,987
Amount Used / Transfer from Reserve	0	0	0
	<u>106,655</u>	<u>107,484</u>	<u>103,350</u>
<b>(l) Capital Works Reserve</b>			
Opening Balance	14,760	14,759	76,957
Amount Set Aside / Transfer to Reserve	472	590	2,803
Amount Used / Transfer from Reserve	0	0	(65,000)
	<u>15,232</u>	<u>15,349</u>	<u>14,760</u>
<b>(m) Swimming Pool Reserve</b>			
Opening Balance	7,356	7,356	6,930
Amount Set Aside / Transfer to Reserve	235	294	426
Amount Used / Transfer from Reserve	0	0	0
	<u>7,591</u>	<u>7,650</u>	<u>7,356</u>
TOTAL RESERVES	<u>1,065,052</u>	<u>1,101,444</u>	<u>1,106,814</u>
Total Opening Balance	1,106,814	1,106,811	1,339,085
Total Amount Set Aside / Transfer to Reserve	232,392	236,533	109,729
Total Amount Used / Transfer from Reserve	(274,154)	(241,900)	(342,000)
TOTAL RESERVES	<u>1,065,052</u>	<u>1,101,444</u>	<u>1,106,814</u>

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

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

- (a) Leave Reserve
  - to be used to fund annual and long service leave requirements
- (b) Plant Reserve
  - to be used for the purchase of major plant
- (c) Community Recreation
  - to be used to assist local sporting groups to upgrade their facilities
- (d) Bremer Bay Youth Camp Reserve
  - to be used for the ongoing management and future upgrades of the reserve land on Lot 70 Borden Bremer Bay Road
- (e) Building Reserve
  - to be used for the construction of new Council buildings
- (f) Bremer Bay Retirement Units Reserve
  - to be used for the provisions required at the units
- (g) JMP Entertainment Centre Reserve
  - to be used for capital building improvements
- (h) Effluent Reserve
  - to be used to maintain the efficient running of the facility
- (i) Point Henry Fire Levy Reserve
  - to be used for the provision, maintenance and construction of strategic fire prevention activities within the Point Henry Peninsula
- (j) Jerramungup Retirement Units Reserve
  - to be used for the provisions required at the units
- (k) Fishery Beach Boat Ramp Reserve
  - to be used to upgrade and maintain the boat ramp facility at Fisheries Beach in Bremer Bay
- (l) Capital Works Reserve
  - to be used to supplement future capital works programs
- (m) Swimming Pool Reserve
  - to be used to preserve any surplus funds from the Jerramungup Swimming Pools operations for future financial requirements of the Jerramungup Swimming Pool and associated facilities

The Community Recreation Reserve is expected to be utilised in 2014/15.



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

<b>13. REVALUATION SURPLUS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land &amp; Buildings</b>		
Opening Balance	955,543	955,543
Revaluation Increment	17,153,397	0
Revaluation Decrement	0	0
	<u>18,108,940</u>	<u>955,543</u>
<b>(b) Plant &amp; Equipment</b>		
Opening Balance	240,503	0
Revaluation Increment	0	240,503
Revaluation Decrement	(66,544)	0
	<u>173,959</u>	<u>240,503</u>
<b>(c) 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>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>72,537,198</u></u>	<u><u>55,450,344</u></u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>1,429,254</u>	<u>1,251,445</u>	<u>1,776,438</u>

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

Net Result	1,472,338	928,692	1,120,407
Depreciation	1,429,490	1,413,997	1,421,500
(Profit)/Loss on Sale of Asset	151,123	(25,368)	(92,397)
(Increase)/Decrease in Receivables	512,918	391,475	396,010
(Increase)/Decrease in Inventories	6,593	15,741	(9,303)
Increase/(Decrease) in Payables	(247,204)	4,218	(39,783)
Increase/(Decrease) in Employee Provisions	29,641	(20,000)	(54,501)
(Increase)/Decrease in Accrued Interest	0	0	19,275
(Increase)/Decrease in Accrued Wages	0	0	22,397
(Increase)/Decrease in GST Liability	0	0	106,126
Grants Contributions for the Development of Assets	(819,618)	(1,404,818)	(1,694,439)
Loss on Revaluation of Fixed Assets	0	0	0
Non-Current Assets recognised	(1,537,851)	0	0
Net Cash from Operating Activities	<u>997,432</u>	<u>1,303,938</u>	<u>1,195,292</u>

**(c) Undrawn Borrowing Facilities**

	2014 \$	2013 \$
<b>Credit Standby Arrangements</b>		
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>
<b>Loan Facilities</b>		
Loan Facilities - Current	130,516	99,724
Loan Facilities - Non-Current	1,000,064	783,557
<b>Total Facilities in Use at Balance Date</b>	<u>1,130,580</u>	<u>883,281</u>
<b>Unused Loan Facilities at Balance Date</b>	<u>231,006</u>	<u>0</u>

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**15. CONTINGENT LIABILITIES**

No contingent liabilities against the Council

<b>16. CAPITAL AND LEASING COMMITMENTS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) 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
	0	0

The Shire did not have any future operating lease commitments at the reporting date.

**(b) Capital Expenditure Commitments**

Contracted for:		
- capital expenditure projects	202,598	0
Payable:		
- not later than one year	0	0

Ironmonger Building are constructing the building on 37 McGlade Close, Bremer Bay. It is expected the building will be completed by November 2014.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**17. JOINT VENTURE ARRANGEMENTS**

The Shire together with the Department of Housing have a joint venture arrangement with regard to the provision of six 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:

The significant change in value is due to the revaluation of Land and Buildings at 30 June 2014.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current Assets</b>		
Land & Buildings	1,534,703	194,565
Less: Accumulated Depreciation	0	(58,396)
	<u>1,534,703</u>	<u>136,169</u>

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Governance	1,740,261	751,362
General Purpose Funding	0	0
Law, Order, Public Safety	1,522,226	1,038,828
Health	274,780	560,952
Education and Welfare	1,549,043	229,925
Housing	827,395	978,927
Community Amenities	3,431,445	708,458
Recreation and Culture	11,817,369	3,402,638
Transport	95,428,390	93,728,491
Economic Services	1,758,878	508,825
Other Property and Services	1,677,434	1,233,559
Unallocated	4,116,572	2,412,899
	<u>124,143,793</u>	<u>105,554,864</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013	2012
<b>19. FINANCIAL RATIOS</b>			
Current Ratio	0.37	0.97	1.27
Asset Sustainability Ratio	1.02	1.05	2.51
Debt Service Cover Ratio	4.85	8.84	10.40
Operating Surplus Ratio	(0.20)	(0.14)	(0.10)
Own Source Revenue Coverage Ratio	0.59	0.68	0.67

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 61 of this document.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Youth Advisory Council	595	0	(595)	0
Fire Fighting Fund	5,581	0	(5,581)	0
JEC Key Bonds	350	0	0	350
Building Bonds	14,000	24,000	(6,000)	32,000
Housing Bonds	6,144	3,000	(8,164)	980
Subdivision Bonds	64,792	0	(5,707)	59,085
Other Bonds	22,182	0	(21,832)	350
Hall and Shire Property Bonds	1,250	950	(2,200)	0
Footpath Bonds	10,499	0	(4,000)	6,499
CLGF regional grant funding	1,910,232	238,181	(227,137)	1,921,276
Upgrade transfer station	0	12,283	0	12,283
	<u>2,035,625</u>			<u>2,032,823</u>

**21. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Fair Value Adjustment	Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Actual \$	Budget \$
<b>PLANT AND EQUIPMENT</b>							
<b>Governance</b>							
Toyota Prado	48,982	49,632	47,273	45,000		(1,709)	(4,632)
Toyota Kluger	30,602	31,451	26,364	28,000		(4,238)	(3,450)
<b>Health</b>							
Holden Caprice	42,567	42,938	33,636	33,636		(8,931)	(9,301)
<b>Community Amenities</b>							
Toyota Kluger	28,008	28,879	21,818	22,000		(6,190)	(6,879)
<b>Transport</b>							
Mitsubishi truck	24,958	0	16,434	3,500	27,000	18,476	3,500
Triton GLX	5,176	0	900	0	5,600	1,324	0
2005 Toyota Hilux JP005	10,448	0	5,455	5,000	11,000	6,007	5,000
2005 Isuzu giga truck	37,884	20,121	43,706	65,000	22,944	28,766	44,879
2013 Toyota Hilux JP001	0	41,749	0	38,000		0	(3,749)
<b>LAND AND BUILDINGS</b>							
Scrapped items(under\$10000)	44,580	0	0	0		(44,580)	0
<b>Community Amenities</b>							
Lot 262 Collins Street	33,948	0	16,536	0		(17,412)	0
<b>Sport and Rec</b>							
Caretakers residence - Millers p	29,000	0	0	0		(29,000)	0
Needilup Town Hall	29,000	0	0	0		(29,000)	0
<b>Eco Services</b>							
Gairdner Stock Emergency leas	64,636	0	0	0		(64,636)	0
	<u>429,789</u>	<u>214,770</u>	<u>212,122</u>	<u>240,136</u>	<u>66,544</u>	<u>(151,123)</u>	<u>25,368</u>

Profit	54,573	53,379
Loss	(205,696)	(28,011)
	<u>(151,123)</u>	<u>25,368</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Housing</b>								
Loan 259 - Key Personnel	358,214		46,002	46,002	312,212	312,212	21,847	22,270
Loan 261 - Planners House		350,000	0	0	350,000	350,000	3,499	0
<b>Community Amenities</b>								
Loan 258 - JMP Community centre	25,067		15,328	12,349	9,739	9,192	1,070	1,075
<b>Transport</b>								
Loan 260 - BB Town Centre	500,000		41,372	41,372	458,628	458,628	19,819	20,080
	883,281	350,000	102,702	99,723	1,130,579	1,130,032	46,235	43,425

Loan 259 is associated with the Police Housing project - Council received \$74769 in rent for these properties for the year.  
 All other loan repayments were financed by general purpose revenue.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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

(b) New Debentures - 2013/14

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 261 - Bremer Bay house	350,000	350,000	WA Treasury	Debenture	10	77,196	4	118,994	350,000	231,006

Loan 261 was taken out to fund the construction of a house on Lot 218 McGlade Close, Bremer Bay.

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 13 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 14 \$
	Loan 261 - Bremer Bay house	8.4.2014	0	350,000	118,994

As the building company are still in process of building the house all the loan funds had not been spent as at 30.6.2014

(d) Overdraft

Council did not require an overdraft facility during the 2013/2014 financial year.



SHIRE OF JERRAMUNGUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30TH JUNE 2014

23. RATING INFORMATION - 2013/14 FINANCIAL YEAR

(a) Rates	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>											
Gross Rental Value	9.6400	588	5,522,053	532,243	3,021	(347)	534,917	447,459	0	0	447,458
Unimproved Value	1.1033	339	168,613,000	1,860,307	(2,765)	0	1,857,542	1,860,307	0	0	1,860,307
<b>Sub-Totals</b>		927	174,135,053	2,392,550	257	(347)	2,392,460	2,307,766	0	0	2,307,765
<b>Minimum Payment</b>	<b>Minimum \$</b>										
Gross Rental Value	675	325	7,257,967	219,375	29,067	0	248,442	271,350	0	0	271,350
Unimproved Value	675	54	170,397,926	36,450	0	0	36,450	36,450	0	0	36,450
<b>Sub-Totals</b>		379	177,655,893	255,825	29,067	0	284,892	307,800	0	0	307,800
Write off small balances							2,677,352				2,615,565
Instalment admin fee							-337				-600
<b>Total Amount Raised From General Rate</b>							6,872				2,614,965
Specified Area Rate (refer note 24.)							2,683,887				45,825
<b>Totals</b>							2,683,887				2,660,790

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**23. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)**

**(b) Information on Surplus/(Deficit) Brought Forward**

	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
<b>Surplus/(Deficit) Brought Forward</b>	<u>317,595</u>	<u>895,922</u>	<u>(684,522)</u>
<b>Comprises:</b>			
Cash and Cash Equivalents			
Unrestricted	76,532	36,278	36,278
Restricted	1,352,722	1,740,160	1,740,160
Receivables			
Rates Outstanding	63,208	66,840	66,840
Sundry Debtors	9,238	505,733	505,733
GST Receivable	20,744	31,854	31,854
Prepaid expenses	0	3,355	3,355
Accrued income	2,232	1,176	1,176
Inventories			
Fuel and Materials	20,264	26,857	26,857
Cash back leave provision	0	0	30,349
<b>Less:</b>			
Trade and other Payables			
Sundry Creditors	(68,199)	(129,438)	(129,438)
Accrued Interest on Debentures	(14,628)	(12,782)	(12,782)
Accrued Salaries and Wages	(30,143)	(31,933)	(31,933)
ATO Liabilities	(39,823)	(223,606)	(223,606)
Accrued expenses	(9,500)	(11,758)	(11,758)
Committed cash	0	0	(14,780)
Current Portion of Long Term Borrowings			
Debentures	(130,516)	(99,724)	0
Provisions - Current			
Provision for Annual Leave	0	0	(132,238)
Provision for Long Service Leave	0	0	(94,731)
<b>Net Current Assets</b>	<u>1,252,131</u>	<u>1,903,012</u>	<u>1,791,336</u>
Less:			
Reserves - Restricted Cash	(1,065,052)	(1,106,814)	(1,106,814)
Add:			
Secured by Floating Charge Debentures	130,516	99,724	0
<b>Surplus/(Deficit)</b>	<u>317,595</u>	<u>895,922</u>	<u>684,522</u>

**Difference**

There was a difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report due to recognition of current loan liability and elimination of leave provisions.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**24. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR**

	Rate in \$	Minimum Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Jerramungup Effluent Charges</b>	3.888	254	657,272	48,438	45,825	4,489	19,246
First Fixture - Non rateable		254					
Additional Fixtures		138					
				48,438	45,825	4,489	19,246

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 was transferred to the Jerramungup Effluent Reserve.

**25. SERVICE CHARGES - 2013/14 FINANCIAL YEAR**

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

The Shire did not impose any service charges during 2013/2014

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2013/14 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
Write off small balances	Write Off		337	600
			337	600

No discount on rates is available.

**27. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		12,726	11,500
Interest on Instalments Plan	5.50%		14,432	12,000
Charges on Instalment Plan		8	6,872	5,500
			34,030	29,000

Ratepayers had the option of paying rates in four equal instalments, due on 13 September 2013, 15 November 2013, 17 January 2014 and 15 March 2014. Administration charges and interest applied for the final three instalments.

<b>28. FEES &amp; CHARGES</b>	<b>2014</b> \$	<b>2013</b> \$
Governance	4,972	603
General Purpose Funding	5,890	8,025
Law, Order, Public Safety	32,999	23,018
Health	0	2,700
Education and Welfare	44,312	38,402
Housing	83,848	78,006
Community Amenities	325,592	270,765
Recreation and Culture	32,775	25,169
Transport	54,680	53,206
Economic Services	26,150	81,374
Other Property and Services	350,534	387,227
	<u>961,752</u>	<u>968,495</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 2014**

**29. GRANT REVENUE**

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

	2014	2013
	\$	\$
<b>By Nature or Type:</b>		
Operating Grants, Subsidies and Contributions	1,320,456	1,427,284
Non-Operating Grants, Subsidies and Contributions	819,618	1,694,438
	<u>2,140,074</u>	<u>3,121,722</u>
<b>By Program:</b>		
Governance	19,481	18,608
General Purpose Funding	323,691	509,159
Law, Order, Public Safety	211,516	740,798
Health	4,144	401
Education and Welfare	624	30,844
Housing	2,055	0
Community Amenities	17,483	7,700
Recreation and Culture	207,943	209,831
Transport	1,279,156	1,542,491
Other Property and Services	73,981	61,890
	<u>2,140,074</u>	<u>3,121,722</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>31</u>	<u>25</u>
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**31. ELECTED MEMBERS REMUNERATION**

2014	2014	2013
\$	Budget	\$
	\$	

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

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	2,334	2,500	1,113
Telecommunications Allowance	7,000	7,000	7,000
	<u>80,334</u>	<u>80,500</u>	<u>79,113</u>

**32. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2013/14.

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

Council did not participate in any trading undertakings or major trading undertakings during the 2013/2014 financial year.

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	1,429,254	1,776,438	1,429,254	1,776,438
Receivables	96,688	608,958	96,688	608,958
	<u>1,525,942</u>	<u>2,385,396</u>	<u>1,525,942</u>	<u>2,385,396</u>
<b>Financial Liabilities</b>				
Payables	162,293	409,497	162,293	409,497
Borrowings	1,130,580	883,281	1,001,702	790,674
	<u>1,292,873</u>	<u>1,292,778</u>	<u>1,163,995</u>	<u>1,200,171</u>

Fair value is determined as follows:

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

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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 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 investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	14,293	17,764
- Statement of Comprehensive Income	14,293 <sup>(2)</sup>	17,764 <sup>(2)</sup>

*Notes:*

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible market movements.

<sup>(2)</sup> Maximum impact.

**SHIRE OF JERRAMUNGUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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>2014</b>	<b>2013</b>
<b>Percentage of Rates and Annual Charges</b>		
- Current	35%	2%
- Overdue	65%	98%
<b>Percentage of Other Receivables</b>		
- Current	80%	15%
- Overdue	20%	85%



**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

	<u>2014</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	162,293		0	0	162,293	162,293
Borrowings	184,008	695,772	499,359	499,359	1,379,139	1,130,580
	<u>346,301</u>	<u>695,772</u>	<u>499,359</u>	<u>499,359</u>	<u>1,541,432</u>	<u>1,292,873</u>
Payables	409,497		0	0	409,497	409,497
Borrowings	147,092	531,326	411,533	411,533	1,089,951	883,281
	<u>556,589</u>	<u>531,326</u>	<u>411,533</u>	<u>411,533</u>	<u>1,499,448</u>	<u>1,292,778</u>

**SHIRE OF JERRAMUNGUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Year Ended 30 June 2014</b>								
<b>Borrowings</b>								
Fixed Rate Debentures	9,739				1,120,840		1,130,579	4.81%
Weighted Average Effective Interest Rate	5.80%				4.80%			
<b>Year Ended 30 June 2013</b>								
<b>Borrowings</b>								
Fixed Rate Debentures		25,066			858,214		883,280	5.09%
Weighted Average Effective Interest Rate		5.80%			5.07%			

**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 2014, 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.

## 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 2014 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 61 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.



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Russell Harrison, Partner

Lincolns Accountants and Business Advisers

70 - 74 Frederick Street, Albany WA

Dated this 10<sup>th</sup> day of December 2014.

**SHIRE OF JERRAMUNGUP  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2014**

**RATIO INFORMATION**

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

	2014	2013	2012
Asset Consumption Ratio	0.887	0.984	N/A
Asset Renewal Funding Ratio	0.534	0.475	N/A

The above ratios are calculated as follows:

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

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