

SHIRE OF JERRAMUNGUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Income Statement by Nature or Type	3
Income Statement by Program	4
Balance Sheet	5
Statement of Changes in Equity	6
Cash Flow Statement	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 50
Independent Audit Report	51 & 52

SHIRE OF JERRAMUNGUP

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2009

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Jerramungup being the annual financial report and other information for the financial year ended 30th June 2009 are in my opinion properly drawn up to present fairly the financial position of the Shire of Jerramungup at 30th June 2009 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 27th day of November 2009.



Bill Parker
Chief Executive Officer

SHIRE OF JERRAMUNGUP
INCOME STATEMENT
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2009

	NOTE	2009 \$	2009 Budget \$	2008 \$
REVENUES FROM ORDINARY ACTIVITIES				
Rates	22	2,165,677	2,153,016	1,999,243
Operating Grants, Subsidies and Contributions	28	1,297,802	968,944	1,082,491
Fees and Charges	27	789,830	673,560	4,696,927
Interest Earnings	2(a)	158,071	144,730	147,866
Other Revenue		609,640	610,204	636,753
		<u>5,021,020</u>	<u>4,550,454</u>	<u>8,563,280</u>
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs		(987,838)	(1,296,212)	(912,055)
Materials and Contracts		(1,781,314)	(2,150,315)	(5,273,531)
Utility Charges		(92,064)	(101,314)	(94,102)
Depreciation on Non-Current Assets	2(a)	(1,216,889)	(492,368)	(1,231,260)
Interest Expenses	2(a)	(14,016)	(13,886)	(18,586)
Insurance Expenses		(148,711)	(150,433)	(146,648)
Other Expenditure		(790,479)	(429,856)	(735,056)
		<u>(5,031,311)</u>	<u>(4,634,384)</u>	<u>(8,411,238)</u>
		(10,291)	(83,931)	152,042
Non-Operating Grants, Subsidies and Contributions				
Non-Operating Grants, Subsidies and Contributions	28	1,256,256	496,805	21,341
Profit on Asset Disposals	20	81,000	339,209	23,068
Loss on Asset Disposal	20	(28,137)	(52,000)	(29,181)
		<u>1,298,828</u>	<u>700,084</u>	<u>167,270</u>
NET RESULT		<u>1,298,828</u>	<u>700,084</u>	<u>167,270</u>

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

SHIRE OF JERRAMUNGUP
INCOME STATEMENT
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2009

	NOTE	2009 \$	2009 Budget \$	2008 \$
REVENUES FROM ORDINARY ACTIVITIES				
Governance		25,857	22,144	17,588
General Purpose Funding		2,746,018	2,613,604	2,491,632
Law, Order, Public Safety		40,742	36,540	115,215
Health		4,133	3,492	6,487
Education and Welfare		36,750	37,268	32,086
Housing		597,038	82,077	9,134
Community Amenities		260,547	207,331	210,225
Recreation and Culture		149,594	75,762	94,990
Transport		1,446,766	1,326,448	621,411
Economic Services		36,158	22,550	23,042
Other Property and Services		1,014,672	912,251	4,985,879
	2 (a)	<u>6,358,275</u>	<u>5,339,467</u>	<u>8,607,689</u>
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		(623,519)	(657,096)	(602,665)
General Purpose Funding		(92,024)	(76,310)	(91,390)
Law, Order, Public Safety		(124,781)	(203,334)	(126,646)
Health		(76,379)	(73,148)	(76,514)
Education and Welfare		(63,872)	(66,518)	(52,530)
Housing		(23,469)	(51,703)	(19,137)
Community Amenities		(484,697)	(583,333)	(489,559)
Recreation & Culture		(498,802)	(613,241)	(437,796)
Transport		(2,296,678)	(1,672,853)	(2,080,944)
Economic Services		(119,615)	(99,721)	(105,752)
Other Property and Services		(641,595)	(528,240)	(4,338,900)
	2 (a)	<u>(5,045,431)</u>	<u>(4,625,497)</u>	<u>(8,421,833)</u>
BORROWING COSTS EXPENSE				
Health		(682)	(683)	(669)
Community Amenities		(5,777)	(6,302)	(8,553)
Recreatoion and Culture		(1,290)	(1,138)	(1,981)
Transport		(6,267)	(5,763)	(7,383)
	2 (a)	<u>(14,016)</u>	<u>(13,886)</u>	<u>(18,586)</u>
NET RESULT		<u><u>1,298,828</u></u>	<u><u>700,084</u></u>	<u><u>167,270</u></u>

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

**SHIRE OF JERRAMUNGUP
BALANCE SHEET
AS AT 30TH JUNE 2009**

	NOTE	2009 \$	2008 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	2,588,361	2,366,285
Trade and Other Receivables	4	478,984	433,887
Inventories	5	37,325	36,056
TOTAL CURRENT ASSETS		<u>3,104,670</u>	<u>2,836,228</u>
NON-CURRENT ASSETS			
Other Receivables	4	1,166	3,368
Property, Plant and Equipment	6	8,082,269	7,810,032
Infrastructure	7	87,457,565	87,096,313
TOTAL NON-CURRENT ASSETS		<u>95,541,000</u>	<u>94,909,713</u>
TOTAL ASSETS		<u>98,645,670</u>	<u>97,745,941</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	226,908	579,940
Long Term Borrowings	9	44,496	77,681
Provisions	10	103,312	135,455
TOTAL CURRENT LIABILITIES		<u>374,716</u>	<u>793,076</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	103,599	148,097
Provisions	10	80,027	16,268
TOTAL NON-CURRENT LIABILITIES		<u>183,626</u>	<u>164,365</u>
TOTAL LIABILITIES		<u>558,342</u>	<u>957,441</u>
NET ASSETS		<u>98,087,328</u>	<u>96,788,500</u>
EQUITY			
Retained Surplus		40,994,825	40,551,012
Reserves - Cash Backed	11	1,882,662	1,027,647
Reserves - Asset Revaluation	12	55,209,841	55,209,841
TOTAL EQUITY		<u>98,087,328</u>	<u>96,788,500</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 2009**

	NOTE	2009 \$	2008 \$
RETAINED SURPLUS			
Balance as at 1 July 2008		40,551,012	40,755,202
Net Result		1,298,828	167,270
Transfer from/(to) Reserves		<u>(855,015)</u>	<u>(371,460)</u>
Balance as at 30 June 2009		<u>40,994,825</u>	<u>40,551,012</u>
 RESERVES - CASH BACKED			
Balance as at 1 July 2008		1,027,647	656,187
Amount Transferred (to)/from Retained Surplus		<u>855,015</u>	<u>371,460</u>
Balance as at 30 June 2009	11	<u>1,882,662</u>	<u>1,027,647</u>
 RESERVES - ASSET REVALUATION			
Balance as at 1 July 2008		55,209,841	55,209,841
Revaluation Increment		-	-
Revaluation Decrement		-	-
Balance as at 30 June 2009	12	<u>55,209,841</u>	<u>55,209,841</u>
TOTAL EQUITY		<u><u>98,087,328</u></u>	<u><u>96,788,500</u></u>

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

**SHIRE OF JERRAMUNGUP
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2009**

	NOTE	2009 \$	2009 Budget \$	2008 \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,167,956	2,153,016	2,029,162
Operating Grants, Subsidies and Contributions		1,297,802	968,944	1,082,491
Fees and Charges		789,830	928,681	5,550,314
Service Charges				
Interest Earnings		156,740	144,730	147,866
Goods and Services Tax		79,811	140,000	915,823
Other Revenue		544,598	610,204	636,753
		<u>5,036,737</u>	<u>4,945,575</u>	<u>10,362,409</u>
Payments				
Employee Costs		(968,264)	(1,300,212)	(920,157)
Materials and Contracts		(2,159,965)	(2,270,315)	(4,904,398)
Utility Charges		(92,064)	(101,314)	(94,102)
Insurance Expenses		(148,711)	(150,433)	(146,648)
Interest expenses		(15,037)	(13,886)	(21,077)
Goods and Services Tax		(21,199)	(293,100)	(838,242)
Other Expenditure		(790,479)	(429,856)	(735,056)
		<u>(4,195,719)</u>	<u>(4,559,116)</u>	<u>(7,659,680)</u>
Net Cash Provided By (Used In)				
Operating Activities	13(b)	<u>841,018</u>	<u>386,459</u>	<u>2,702,729</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		-	-	-
Payments for Purchase of Property, Plant & Equipment		(825,518)	(2,462,564)	(593,360)
Payments for Construction of Infrastructure		(1,173,611)	(1,263,591)	(1,097,150)
Advances to Community Groups		-	-	-
Payments for Purchase of Investments		-	-	-
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		1,256,256	496,805	21,341
Proceeds from Sale of Plant & Equipment		201,614	671,000	223,812
Proceeds from Advances		-	-	-
Proceeds from Sale of Investments		-	-	-
Net Cash Provided By (Used In)				
Investing Activities		<u>(541,259)</u>	<u>(2,558,350)</u>	<u>(1,445,357)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(63,688)	(77,681)	(61,944)
Repayment of Finance Leases		(13,995)	-	(17,407)
Proceeds from Self Supporting Loans		-	17,407	-
Proceeds from New Debentures		-	950,000	-
Net Cash Provided By (Used In)				
Financing Activities		<u>(77,683)</u>	<u>889,726</u>	<u>(79,351)</u>
Net Increase (Decrease) in Cash Held		222,076	(1,282,165)	1,178,021
Cash at Beginning of Year		2,366,285	2,367,963	1,188,264
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>2,588,361</u></u>	<u><u>1,085,798</u></u>	<u><u>2,366,285</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 2009**

	NOTE	2009 \$	2,009 Budget \$
REVENUES			
Governance		25,857	22,144
General Purpose Funding		580,341	493,085
Law, Order, Public Safety		40,742	36,540
Health		4,133	3,492
Education and Welfare		36,750	37,268
Housing		597,038	82,077
Community Amenities		260,547	174,835
Recreation and Culture		149,594	75,762
Transport		1,446,766	1,373,448
Economic Services		36,158	22,550
Other Property and Services		1,014,672	912,251
		<u>4,192,598</u>	<u>3,233,452</u>
EXPENSES			
Governance		(623,519)	(657,096)
General Purpose Funding		(92,024)	(76,310)
Law, Order, Public Safety		(124,781)	(203,334)
Health		(77,061)	(73,831)
Education and Welfare		(63,872)	(66,518)
Housing		(23,469)	(51,703)
Community Amenities		(490,474)	(589,635)
Recreation & Culture		(500,092)	(614,379)
Transport		(2,302,945)	(1,725,616)
Economic Services		(119,615)	(99,721)
Other Property and Services		(641,596)	(528,240)
		<u>(5,059,448)</u>	<u>(4,686,383)</u>
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		(52,863)	(287,209)
Movement in Accrued Interest		(2,546)	-
Movement in Deferred Pensioner Rates (Non-Current)		(2,202)	-
Movement in Accrued Salaries and Wages		(13,752)	-
Movement in Employee Benefit Provisions		31,616	-
Depreciation and Amortisation on Assets		1,216,889	492,368
Capital Expenditure and Revenue			
Purchase Land Held for Resale		-	-
Purchase Land and Buildings		(265,021)	(1,347,901)
Purchase Infrastructure Assets - Roads		(1,173,611)	(1,263,591)
Purchase Plant and Equipment		(558,212)	(1,107,300)
Purchase Furniture and Equipment		(2,285)	(7,363)
Purchase of Investments		-	-
Proceeds from Disposal of Investments		-	-
Proceeds from Disposal of Assets		201,614	671,000
Repayment of Debentures		(77,682)	(77,681)
Proceeds from New Debentures		-	950,000
Self-Supporting Loan Principal Income		13,995	17,407
Transfers to Reserves (Restricted Assets)		(934,302)	(193,254)
Transfers from Reserves (Restricted Assets)		79,287	153,100
ADD	Estimated Surplus/(Deficit) July 1 B/Fwd	1,237,182	1,333,349
LESS	Estimated Surplus/(Deficit) June 30 C/Fwd	996,934	33,010
	Amount Required to be Raised from Rates	<u>22</u> <u>(2,165,677)</u>	<u>(2,153,016)</u>

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

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

(c) Goods and Services Tax

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

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Trade and Other Receivables

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

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

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

Land Held for Resale

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

Revenue arising from the sale of property is recognised in the Income Statement as at the time of signing a binding contract of sale.

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

(g) Fixed Assets

Initial Recognition

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

Revaluation

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

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

Land under Roads

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

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

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

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

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

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation of Non-Current Assets

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

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

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and derecognition

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

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investments and Other Financial Assets (Continued)

Subsequent measurement

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

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

Impairment

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

(j) Estimation of Fair Value

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

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

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

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

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

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

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

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

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

(l) Trade and Other Payables

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

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

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

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

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

Borrowing Costs

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions

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

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

(p) Leases

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

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

(q) Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Balance Sheet and Income Statement. Information about the joint venture is set out in Note 16.

(r) Rates, Grants, Donations and Other Contributions

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

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

(s) Superannuation

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

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

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

(u) Rounding Off Figures

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

(v) Comparative Figures

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

(w) Budget Comparative Figures

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2009

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(ii) Revised AASB 123 Borrowing Costs (includes AASB 2009-1) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 121	June 2007 and April 2009	1 January 2009	Nil – There have been two revisions to the Standard. The first removed the option to expense all borrowing costs and required the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The second (AASB2009-1) reinstated the choice to either expense or capitalise in the case of not-for-profit entities. There will be no impact on the financial report of the Council as it already capitalises borrowing costs relating to qualifying assets and will continue to do so.
(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of Financial Position), being as at the beginning of the comparative period.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(iv) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 January 2009	Nil – The revisions are part of the AASBs annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 July 2009	The revisions embodied in these standards relate largely to terminology or editorial comments and will have a minimal effect on the accounting practices of the Council. It is not anticipated the more significant changes will have any effect on the financial report as the topics are not relevant to the operations of the Council.
(v) AASB 2008-11 Amendments to Australian Accounting Standard – Business Considerations Among Not-for-Profit Entities	November 2008	1 July 2009	Nil – Whilst this standard has the effect of applying AASB 3 Business Combinations to the Not-for-Profit sector, specific provisions are provided in respect of local government. These specific provisions are very similar to the previous requirements of AAS 27.
(vi) AASB 2008-1 Amendments to Australian Accounting Standard – Share-Based Payments: Vesting Conditions and Cancellations	February 2008	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-2 Amendments to Australian Accounting Standards Puttable Financial Instruments and Obligations Arising on Liquidation	March 2008	1 January 2009	

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

(vi) (Continued)	Title and Topic	Issued	Applicable (*)	Impact
	AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	March 2008	1 January 2009	Nil -- None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2007-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 2008	1 January 2009	
	AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items	August 2008	1 July 2009	
	AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	September 2008	1 January 2009	
	AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	
	Interpretation 1 – Changes in Existing, Decommissioning, Restoration and Similar Liabilities	June 2008	1 January 2009	

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations (Continued)

(vi) (Continued)	Title and Topic	Issued	Applicable (*)	Impact
	Interpretation 12 – Service Concession Arrangements	June 2007	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	Interpretation 15 – Agreements for the Construction of Real Estate	August 2008	1 January 2009	
	Interpretation 16 – Hedges of a Net Investment in a Foreign Operation	August 2008	1 October 2008	
	Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	
	Interpretation 18 – Transfers of Assets from Customers	March 2009	Ending 1 July 2009	

Notes:

(*) – 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 2009

2. REVENUES AND EXPENSES	2009	2008
	\$	\$
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as an Expense:		
Significant Expense		
Other Property and Services	<u>nil</u>	<u>3,871,098</u>
The significant expense for 2008 relates to the Shire's private works program. A major contract with Main Roads WA.		
Auditors Remuneration		
- Audit	6,930	9,900
- Other Services	12,947	24,158
Depreciation		
Buildings	168,146	179,060
Furniture and Equipment	26,353	24,348
Plant and Equipment	210,033	241,998
Roads	779,922	746,315
Dual Use Paths	2,869	3,784
Parks and Ovals	2,105	2,782
Drainage	10,554	13,943
Sewerage	7,163	7,163
Other Reserves	9,744	11,867
	<u>1,216,889</u>	<u>1,231,260</u>
Interest Expenses		
Finance Lease Charges	2,451	2,140
Debentures (refer Note 21(a))	11,565	16,446
	<u>14,016</u>	<u>18,586</u>
(ii) Crediting as Revenue:	2009	2009
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	47,123	60,000
- Other Funds	96,260	70,000
Other Interest Revenue (refer note 26)	14,688	14,730
	<u>158,071</u>	<u>144,730</u>
		<u>147,866</u>

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Administration and operation facilities and services to members of council, other costs that relate to tasks of assisting elected members and ratepayers on matters which do not concern specific Council services. In accordance with legislation changes effective July 1997 general administration costs have been allocated to the various programmes of the Shire to reflect the true costs of the associated services.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants, interest revenue and allocated administration costs associated with general purpose funding.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local laws, fire prevention, emergency services and animal control.

HEALTH

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

EDUCATION AND WELFARE

Provision and maintenance of retirement units in Bremer Bay and Jerramungup, assisting Southern Aged Care Services. Assistance to pre-school facilities as well as local primary and high schools.

HOUSING

The provision and maintenance of housing to both staff and private residents.

COMMUNITY AMENITIES

Rubbish collection services, maintenance of refuse sites, sewerage maintenance in Jerramungup control and coordination of cemeteries, administration of Town Planning Scheme, coastal reserves and other environmental services.

RECREATION AND CULTURE

Maintenance and administration of halls, sporting complexes, resources centres, libraries Bremer Bay Youth Camp, parks and gardens and broadcasting services.

TRANSPORT

Construction and maintenance of roads, drainage works, footpaths, parking facilities, traffic facilities townscapes and airstrips.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

ECONOMIC SERVICES

The regulation and provision of tourism, area promotion, building control, saleyards noxious weeds, vermin control and water supply including standpipes.

OTHER PROPERTY & SERVICES

Private works operations, plant maintenance and operation costs.

	2009	2008
	\$	\$
(c) Conditions Over Contributions		
Grants recognised as revenues in a previous reporting period which were not expended at the close of the previous reporting period (ie opening balances).		
Wellstead Estuary Management Plan	13,650	5,000
Bremer Bay Boat Facility	3,286	3,286
Roads to Recovery	208,089	451,480
Bremer Bay Emergency Services Building	10,500	10,500
Lotterwest Playground Grant	-	18,370
Crime Prevention Grant	40,000	16,200
Main Roads Flood Damage Grants	298,694	-
	574,219	504,836
Add:		
New grants which were recognised as revenues during the reporting period and which had not yet been fully expended by the contributor.		
Main Roads Flood Damage Funds	-	298,694
Wellstead Estuary Management Plan	-	8,650
Crime Prevention Grant	-	23,800
Subdivision Contributions	28,030	-
Less:		
Grants which were recognised as revenues in a previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Lotterwest Playground Grant	-	(18,370)
Roads to Recovery	(208,089)	(243,391)
Wellstead Estuary Management Plan	-	-
Main Roads Flood Damage Grants	(222,142)	-
Bremer Bay Emergency Services Building	(10,500)	-
Closing balances of unexpended grants	161,518	574,219
Comprises:		
Roads to Recovery	-	208,089
DOT BB Boating Facility	3,286	3,286
Bremer Bay Emergency Services Building	-	10,500
Wellstead Estuary Management Plan	13,650	13,650
Crime Prevention Grant	40,000	40,000
Main Roads Flood Damage Funds	76,552	298,694
Subdivision Contributions	28,030	-
	161,518	574,219

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

	2009	2008
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	544,181	753,539
Restricted	2,044,180	1,612,746
	<u>2,588,361</u>	<u>2,366,285</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	27,894	26,752
Plant Reserve	377,351	84,537
Building Reserve	561,428	136,785
Bremer Bay Youth Camp Reserve	38,957	37,359
Community Recreation Reserve	77,211	86,558
Jerramungup Entertainment Centre Reserve	42,505	34,953
Effluent Reserve	248,387	204,322
Jerramungup Retirement Units Reserve	86,868	77,496
Point Henry Fire Levy Reserve	35,465	49,635
Bremer Bay Boat Ramp Reserve	82,009	78,644
Bremer Bay Caravan Park Reserve	-	-
Bremer Bay Retirement Units Reserve	89,033	79,573
Capital Works Reserve	209,489	125,217
Swimming Pool Reserve	6,065	5,816
Unspent Grants	161,518	574,219
Restricted Cash Other	-	10,880
	<u>2,044,180</u>	<u>1,612,746</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	31,477	36,081
Sundry Debtors	410,251	340,682
GST Receivable	35,363	56,562
Accrued Income	1,893	562
	<u>478,984</u>	<u>433,887</u>
Non-Current		
Rates Outstanding - Pensioners	1,166	3,368
	<u>1,166</u>	<u>3,368</u>
5. INVENTORIES		
Current		
Fuel and Materials	37,325	36,056
	<u>37,325</u>	<u>36,056</u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

	2009	2008
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	8,911,324	8,646,303
Less Accumulated Depreciation	<u>(2,316,540)</u>	<u>(2,148,394)</u>
	6,594,784	6,497,909
Furniture and Equipment - Cost	411,846	409,560
Less Accumulated Depreciation	<u>(362,412)</u>	<u>(336,059)</u>
	49,434	73,501
Plant and Equipment - Cost	3,353,080	3,193,460
Less Accumulated Depreciation	<u>(1,915,029)</u>	<u>(1,954,838)</u>
	1,438,051	1,238,622
	<u>8,082,269</u>	<u>7,810,032</u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Total \$
Balance as at 1 July 2008	6,497,909	73,501	1,238,622	7,810,032
Additions	265,021	2,285	558,212	825,518
(Disposals)	-	-	(148,750)	(148,750)
Revaluation - Increments - (Decrements)	-	-	-	-
Impairment - (losses) - reversals	-	-	-	-
Depreciation (Expense)	(168,146)	(26,352)	(210,033)	(404,531)
Other Movements	0	0	0	0
Balance as at 30 June 2009	<u>6,594,784</u>	<u>49,434</u>	<u>1,438,051</u>	<u>8,082,269</u>

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

	2009	2008
	\$	\$
7. INFRASTRUCTURE		
Roads - management valuation 2005	93,248,103	93,248,103
Roads - Cost	2,774,327	1,689,996
Less Accumulated Depreciation	<u>(10,279,681)</u>	<u>(9,499,759)</u>
	85,742,749	85,438,340
Footpaths - Cost	242,473	196,469
Less Accumulated Depreciation	<u>(69,640)</u>	<u>(66,771)</u>
	172,833	129,698
Drainage - Cost	790,012	746,736
Less Accumulated Depreciation	<u>(137,400)</u>	<u>(126,846)</u>
	652,612	619,890
Parks & Ovals - Cost	240,309	240,309
Less Accumulated Depreciation	<u>(53,705)</u>	<u>(51,599)</u>
	186,604	188,710
Sewerage - Cost	358,200	358,200
Less Accumulated Depreciation	<u>(154,861)</u>	<u>(147,697)</u>
	203,339	210,503
Other Reserves - Cost	667,468	667,468
Less Accumulated Depreciation	<u>(168,040)</u>	<u>(158,296)</u>
	499,428	509,172
	<u>87,457,565</u>	<u>87,096,313</u>

Council have adopted a policy of revaluing roads with sufficient regularity to ensure the carrying amount of each road asset is fairly stated at reporting time. This policy also accords with AASB 116.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Sewerage \$	Other Reserves \$	Total \$
Balance as at 1 July 2008	85,438,340	129,698	619,890	188,710	210,503	509,172	87,096,313
Additions	1,084,331	46,004	43,276	-	-	-	1,173,611
(Disposals)	-	-	-	-	-	-	-
Revaluation - Increments - (Decrements)	-	-	-	-	-	-	-
Impairment - (losses) - reversals	-	-	-	-	-	-	-
Depreciation (Expense)	(779,922)	(2,869)	(10,554)	(2,106)	(7,164)	(9,744)	(812,359)
Other Movements	-	-	-	-	-	-	-
Balance as at 30 June 2009	<u>85,742,749</u>	<u>172,833</u>	<u>652,612</u>	<u>186,604</u>	<u>203,339</u>	<u>499,428</u>	<u>87,457,565</u>

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SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

	2009	2008
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	165,299	542,681
Accrued Interest on Debentures	668	1,689
Accrued Wages and Salaries	-	13,752
Pay As You Go Liability	20,019	19,608
Fringe Benefit Tax Liability	3,509	2,210
GST Liability	37,413	-
	<u>226,908</u>	<u>579,940</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	44,496	63,686
Lease Liability	-	13,995
	<u>44,496</u>	<u>77,681</u>
Non-Current		
Secured by Floating Charge		
Debentures	103,599	148,097
Lease Liability	-	-
	<u>103,599</u>	<u>148,097</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	88,360	78,679
Provision for Long Service Leave	14,952	56,776
	<u>103,312</u>	<u>135,455</u>
Non-Current		
Provision for Annual Leave	7,626	-
Provision for Long Service Leave	72,401	16,268
	<u>80,027</u>	<u>16,268</u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

	2009 \$	2009 Budget \$	2008 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	26,752	26,749	25,144
Amount Set Aside / Transfer to Reserve	1,144	2,359	1,608
Amount Used / Transfer from Reserve	-	-	-
	<u>27,896</u>	<u>29,108</u>	<u>26,752</u>
(b) Plant Reserve			
Opening Balance	84,537	84,537	58,101
Amount Set Aside / Transfer to Reserve	292,814	5,072	26,436
Amount Used / Transfer from Reserve	-	(40,000)	-
	<u>377,351</u>	<u>49,609</u>	<u>84,537</u>
(c) Community Recreation Reserve			
Opening Balance	86,558	86,558	22,050
Amount Set Aside / Transfer to Reserve	53,753	55,193	64,508
Amount Used / Transfer from Reserve	(63,100)	(63,100)	-
	<u>77,211</u>	<u>78,651</u>	<u>86,558</u>
(d) Bremer Bay Youth Camp Reserve			
Opening Balance	37,359	37,359	21,018
Amount Set Aside / Transfer to Reserve	1,598	2,242	16,341
Amount Used / Transfer from Reserve	-	-	-
	<u>38,957</u>	<u>39,601</u>	<u>37,359</u>
(e) Building Reserve			
Opening Balance	136,785	136,785	63,904
Amount Set Aside / Transfer to Reserve	424,643	44,207	72,881
Amount Used / Transfer from Reserve	-	(30,000)	-
	<u>561,428</u>	<u>150,992</u>	<u>136,785</u>
(f) Bremer Bay Retirement Units Reserve			
Opening Balance	79,573	79,574	66,643
Amount Set Aside / Transfer to Reserve	9,460	9,774	12,930
Amount Used / Transfer from Reserve	-	-	-
	<u>89,033</u>	<u>89,348</u>	<u>79,573</u>
(g) Jerramungup Ent Centre Reserve			
Opening Balance	34,953	34,953	32,856
Amount Set Aside / Transfer to Reserve	7,551	8,597	2,097
Amount Used / Transfer from Reserve	-	-	-
	<u>42,504</u>	<u>43,550</u>	<u>34,953</u>
(h) Effluent Reserve			
Opening Balance	204,322	204,321	164,412

Amount Set Aside / Transfer to Reserve	44,065	42,259	39,910
Amount Used / Transfer from Reserve	-	-	-
	<u>248,387</u>	<u>246,580</u>	<u>204,322</u>
(i) Point Henry Fire Levy Reserve			
Opening Balance	49,635	49,634	37,774
Amount Set Aside / Transfer to Reserve	2,018	2,978	11,861
Amount Used / Transfer from Reserve	(16,187)	(20,000)	-
	<u>35,466</u>	<u>32,612</u>	<u>49,635</u>
(j) Jerramungup Retirement Units Reserve			
Opening Balance	77,496	77,496	64,326
Amount Set Aside / Transfer to Reserve	9,371	9,650	13,170
Amount Used / Transfer from Reserve	-	-	-
	<u>86,867</u>	<u>87,146</u>	<u>77,496</u>
(k) Fishery Beach Boat Ramp Reserve			
Opening Balance	78,644	78,644	73,925
Amount Set Aside / Transfer to Reserve	3,364	4,719	4,719
Amount Used / Transfer from Reserve	-	-	-
	<u>82,008</u>	<u>83,363</u>	<u>78,644</u>
(l) Capital Works Reserve			
Opening Balance	125,217	125,217	-
Amount Set Aside / Transfer to Reserve	84,272	5,854	125,217
Amount Used / Transfer from Reserve	-	-	-
	<u>209,489</u>	<u>131,071</u>	<u>125,217</u>
(m) Swimming Pool Reserve			
Opening Balance	5,816	5,816	-
Amount Set Aside / Transfer to Reserve	249	349	5,816
Amount Used / Transfer from Reserve	-	-	-
	<u>6,065</u>	<u>6,165</u>	<u>5,816</u>
TOTAL CASH BACKED RESERVES	<u>1,882,662</u>	<u>1,067,797</u>	<u>1,027,647</u>

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3.

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

Leave Reserve

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

Plant Reserve

- to be used for the purchase of major plant.

Community Recreation Reserve

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

Bremer Bay Youth Camp Reserve

- to be used to ensure that the maintenance and upkeep of the camp are catered for.

Building Reserve

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

Bremer Bay Retirement Units Reserve

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

Jerramungup Entertainment Centre Reserve

- to be used for capital building improvements.

Effluent Reserve

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

Point Henry Fire Levy Reserve

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

Jerramungup Retirement Units Reserve

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

Fishery Beach Boat Ramp Reserve

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

Bremer Bay Caravan Park Reserve

- to be used for major upgrades, i.e. power and provision of sewerage facilities.

Capital Works Reserve

- to be used to supplement future capital works programs.

Swimming Pool Reserve

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

12. RESERVES - ASSET REVALUATION	2009	2008
	\$	\$
Asset revaluation reserves have arisen on revaluation of the following classes of assets:		
(a) Land and Buildings		
Balance as at 1 July 2008	955,543	955,543
Revaluation Increment	-	-
Revaluation Decrement	-	-
Balance as at 30 June 2009	<u>955,543</u>	<u>955,543</u>
(b) Roads		
Balance as at 1 July 2008	54,254,298	54,254,298
Revaluation Increment	-	-
Revaluation Decrement	-	-
Balance as at 30 June 2009	<u>54,254,298</u>	<u>54,254,298</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>55,209,841</u></u>	<u><u>55,209,841</u></u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	2009 \$	2009 Budget \$	2008 \$
Cash and Cash Equivalents	<u>2,588,361</u>	<u>1,085,797</u>	<u>2,366,285</u>

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

Net Result	1,298,828	700,084	167,270
Depreciation	1,216,889	492,368	1,231,260
Impairment (Loss)/Reversal		0	
(Profit)/Loss on Sale of Asset	(52,863)	(287,209)	6,113
(Increase)/Decrease in Accrued Interest	(1,021)	0	(2,491)
(Increase)/Decrease in Accrued Wages and Salaries	(13,753)	0	13,752
(Increase)/Decrease in Receivables	(42,894)	255,121	960,887
(Increase)/Decrease in Inventories	(1,269)	5,500	(21,592)
Increase/(Decrease) in Payables	(338,259)	(120,000)	390,725
Increase/(Decrease) in Employee Provisions	31,616	(4,000)	(21,854)
Grants/Contributions for the Development of Assets	(1,256,256)	(496,805)	(21,341)
Net Cash from Operating Activities	<u>841,018</u>	<u>545,059</u>	<u>2,702,729</u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	15,000	5,000
Credit Card Balance at Balance Date	0	0
Total Amount of Credit Unused	<u>15,000</u>	<u>5,000</u>

Loan Facilities

Loan Facilities - Current	44,496	63,686
Loan Facilities - Non-Current	103,599	148,097
Total Facilities in Use at Balance Date	<u>148,095</u>	<u>211,783</u>

Unused Loan Facilities at Balance Date

<u>Nil</u>	<u>Nil</u>
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**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

14. CONTINGENT LIABILITIES

There are no current contingent liabilities that the Shire of Jerramungup is aware of.

15. CAPITAL AND LEASING COMMITMENTS	2009 \$	2008 \$
(a) Finance Lease Commitments		
Payable:		
- not later than one year	-	15,716
- later than one year but not later than five years	-	-
- later than five years	-	-
Minimum Lease Payments	-	15,716
Less Future Finance Charges	-	(1,721)
Total Lease Liability	-	13,995

(b) Operating Lease Commitments

The Shire had no operating lease commitment for the 2008/09 financial year.

(c) Capital Expenditure Commitments

The Shire had no capital expenditure commitments as at the 30th June 2009.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

16. JOINT VENTURE

The Shire together with the Homeswest have a joint venture agreement with regards to the a 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 Property, Plant and Equipment as follows:

	2009	2008
	\$	\$
Non-Current Assets		
Land & Buildings	187,118	187,118
Less: Accumulated Depreciation	<u>(43,036)</u>	<u>(39,294)</u>
	<u><u>144,082</u></u>	<u><u>147,824</u></u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	2,666,146	2,687,544
General Purpose Funding	39,449	39,449
Law, Order, Public Safety	33,621	35,618
Health	241,713	248,630
Education and Welfare	206,686	216,897
Housing	127,315	131,240
Community Amenities	661,070	681,846
Recreation and Culture	2,150,856	2,472,056
Transport	88,611,172	87,515,213
Economic Services	563,317	647,582
Other Property and Services	238,488	463,361
Unallocated	<u>3,105,837</u>	<u>2,606,505</u>
	<u><u>98,645,670</u></u>	<u><u>97,745,941</u></u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

	2009	2008	2007
18. FINANCIAL RATIOS			
Current Ratio	2.83	1.60	3.97
Untied Cash to Unpaid Trade Creditors Ratio	3.29	1.39	0.09
Debt Ratio	0.01	0.01	0.01
Debt Service Ratio	0.02	0.01	0.02
Gross Debt to Revenue Ratio	0.03	0.03	0.05
Gross Debt to Economically Realisable Assets Ratio	0.02	0.02	0.03
Rate Coverage Ratio	0.43	0.23	0.32
Outstanding Rates Ratio	0.01	0.02	0.03

The above ratios are calculated as follows:

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

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

19. TRUST FUNDS

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

	Balance 1-Jul-08 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-09 \$
Youth Advisory Council	595	-	-	595
Fire Fighting Fund	5,581	-	-	5,581
JEC Key Bonds	350	-	-	350
Housing Bonds	2,920	2,464	-	5,384
Subdivision Bonds	23,833	78,507	(12,626)	89,714
Other Bonds	24,181	-	-	24,181
Hall and Shire Property Bonds	2,932	2,000	(1,790)	3,142
Footpath Bonds	3,000	500	-	3,500
	63,392			132,447

20. DISPOSALS OF ASSETS - 2008/09 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Holden Caprice	46,267	46,500	36,000	44,000	(10,267)	(2,500)
Toyota Hilux JP0084	32,058	33,000	27,545	31,000	(4,513)	(2,000)
Toyota Hilux JP001	33,451	35,000	30,705	34,000	(2,746)	(1,000)
Holden Statesman	36,974	36,500	26,364	34,000	(10,610)	(2,500)
Plant Trailer	-	-	8,000	8,000	8,000	8,000
Grader JP0010	-	-	73,000	80,000	73,000	80,000
	148,750	151,000	201,614	231,000	52,864	80,000

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-08 \$	New Loans \$	Principal Repayments		Principal 30-Jun-09		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing								
Loan 251 - Staff Housing	15,368		15,368	15,368	0	0	671	682
Loan 252 - BB CommunityCent	19,642		12,872	12,872	6,771	6,771	1,121	1,137
Loan 253 - BB Airstrip	26,095		12,580	12,580	13,514	13,514	1,654	1,677
Loan 257 - Staff Housing	76,467		13,607	13,607	62,860	62,860	4,014	4,085
Loan 258 - JMP Community Ce	74,210		9,260	9,260	64,951	64,951	4,105	4,162
Fitzgerald Biosphere Vehicles <i>self supporting</i>	13,995		13,995	13,995	0	0	2,451	1,721
Loan 259 - Key Personnel Housing		0	0	0	0	950,000	0	0
	225,777	0	77,682	77,681	148,095	1,098,095	14,016	13,464

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

(b) New Debentures - 2008/09

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 259 - Key Personnel Housing	0	950,000	WATC	Debenture	10	0	n/a	0	950,000	0

The loan for the key personnel housing was not drawn on in the 2008/2009 Financial Year.

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

There were no unspent debentures from the 2008/2009 Financial Year.

(d) Overdraft

The Shire of Jerramungup did not require an overdraft facility during the 2008/2009 financial year.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

22. RATING INFORMATION - 2008/09 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
Unimproved Value	1.7170	377	92,137,000	1,581,992	5,974	0	1,587,966	1,581,340	1,000	0	1,582,340
Gross Rental Value	6.2655	358	5,536,122	345,742	138	0	345,880	337,102	3,000	0	340,102
Sub-Totals		735	97,673,122	1,927,734	6,112	0	1,933,846	1,918,442	4,000	0	1,922,442
Minimum Rates	Minimum \$										
Unimproved Value	490.0000	36	622,116	17,640	0	0	17,640	17,640	0	0	17,640
Gross Rental Value	490.0000	337	1,989,776	165,130	0	0	165,130	166,600	0	0	166,600
Sub-Totals		373	2,611,892	182,770	0	0	182,770	184,240	0	0	184,240
Effluent Area Rate							2,116,616				2,106,682
							35,211				32,455
Other Rate Charges							2,151,827				2,139,137
CBH Contribution							4,334				3,600
Rates Written Off							9,768				10,879
Totals							(252)				(600)
							2,165,677				2,153,016

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

23. SPECIFIED AREA RATE - 2008/09 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Effluent Area Rate JMP							
- Rate	3.0000	GRV	986,984	35,211	32,496	19,548	32,496
				35,211	32,496	19,548	32,496

The specified area rate for the Jerramungup Effluent System is applied to provide for the maintenance and replacement of the system.

The proceeds of the rate are applied to the costs of running the system with any balance being transferred to the Jerramungup Effluent Reserve.

24. SERVICE CHARGES - 2008/09 FINANCIAL YEAR

There were no service charges applied in the 2008/2009 financial year.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2008/09 FINANCIAL YEAR

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Written Off	0.00%	252	600
			252	600

Rates written off is attributed to small interest amounts on rate assessments written off.

26. INTEREST CHARGES AND INSTALMENTS - 2008/09 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		3,772	5,500
Interest on Instalments Plan	5.00%		10,829	9,100
Charges on Instalment Plan		5	3,840	3,600
			18,441	18,200

Ratepayers had the option of paying rates in four equal instalments, due on 19th September 2008, and in two monthly intervals following that date.

An additional option for two instalments with due dates on the 19th September 2008 and another payment four months following that date.

27. FEES & CHARGES	2009 \$	2008 \$
Governance	6,286	15
General Purpose Funding	7,070	1,529
Law, Order, Public Safety	11,843	12,508
Health	3,833	4,264
Education and Welfare	35,630	31,561
Housing	10,880	9,120
Community Amenities	207,177	189,527
Recreation and Culture	36,850	35,944
Transport	38,559	35,950
Economic Services	21,606	22,001
Other Property and Services	410,096	4,354,508
	<u>789,830</u>	<u>4,696,927</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 2009

28. GRANT REVENUE	2009	2008
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,297,802	1,082,491
Non-Operating Grants, Subsidies and Contributions	<u>1,256,256</u>	<u>21,341</u>
	<u><u>2,554,058</u></u>	<u><u>1,103,832</u></u>
By Program:		
General Purpose Funding	450,411	328,775
Governance	3,181	-2,856
Law, Order, Public Safety	28,898	97,071
Health	0	1,996
Education and Welfare	1,120	525
Housing	586,158	0
Community Amenities	15,716	19,547
Recreation and Culture	81,094	38,926
Transport	1,347,901	562,393
Economic Services	13,500	0
Other Property and Services	<u>26,079</u>	<u>57,455</u>
	<u><u>2,554,058</u></u>	<u><u>1,103,832</u></u>

29. COUNCILLORS' REMUNERATION	2009	2009	2008
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	48,000	48,000	49,000
President's Allowance	10,000	10,000	10,000
Deputy President's Allowance	2,500	2,500	0
Travelling Expenses	6,703	13,000	4,529
Telecommunications Allowance	<u>7,000</u>	<u>7,000</u>	<u>9,118</u>
	<u><u>74,203</u></u>	<u><u>80,500</u></u>	<u><u>72,647</u></u>

30. EMPLOYEES' REMUNERATION

The Shire had no employee with a salary of \$100,000 or over in the 2008/09 financial year.

31. EMPLOYEE NUMBERS	2009	2008
The number of full-time equivalent employees at balance date	<u><u>24</u></u>	<u><u>24</u></u>

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

32. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land undertaking during the 2008/09 financial year.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2008/09 financial year.

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

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	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets				
Cash and cash equivalents	2,588,361	2,366,285	2,588,361	2,366,285
Receivables	480,150	437,255	480,150	437,255
	<u>3,068,511</u>	<u>2,803,540</u>	<u>3,068,511</u>	<u>2,803,540</u>
Financial Liabilities				
Payables	226,908	579,940	226,908	579,940
Borrowings	148,095	225,778	148,095	183,847
	<u>375,003</u>	<u>805,718</u>	<u>375,003</u>	<u>763,787</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

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

	30-Jun-09	30-Jun-08
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	22,723	13,996
- Income Statement	22,723	13,996 (+)

Notes:

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

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

**SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	30-Jun-09	30-Jun-08
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	97.01%	10.10%
- Overdue	2.99%	89.90%

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

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>2009</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	226,908	0	0	0	226,908	226,908
Borrowings	52,376	106,764	10,065	10,065	169,205	148,095
	<u>279,284</u>	<u>106,764</u>	<u>10,065</u>	<u>10,065</u>	<u>396,113</u>	<u>375,003</u>
Payables	579,940	0	0	0	579,940	579,940
Borrowings	91,146	145,493	26,730	26,730	263,369	225,778
	<u>671,086</u>	<u>145,493</u>	<u>26,730</u>	<u>26,730</u>	<u>843,309</u>	<u>805,718</u>

SHIRE OF JERRAMUNGUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2009								
Borrowings								
Fixed Rate								
Debentures	20,284			62,860		64,951	148,095	5.95%
Weighted Average Effective Interest Rate	7.10%			5.72%		5.80%		
Year Ended 30 June 2008								
Borrowings								
Fixed Rate								
Debentures	29,363	45,738	0	0	76,467	74,210	225,778	6.18%
Weighted Average Effective Interest Rate	6.90%	7.12%			5.72%	5.80%		