



Shire of  
**Nannup**  
rest • connect • grow



Annual Report 2018/19



# Table of Contents

Introduction .....	2
Vision Statement .....	2
Mission Statement .....	2
Values .....	2
Brief Background on Nannup .....	5
Council Structure .....	8
Nannup Shire Councillors .....	9
Shire President's Report .....	11
Chief Executive Officer's Report .....	13
Shire of Nannup Organisational Structure .....	15
Corporate and Community Services Department .....	16
Works & Services Department .....	21
Statutory Compliance Report .....	24
Competitive Neutrality – Business Activities .....	24
The Financial Management Review .....	24
Audit Regulation 17 Review .....	24
Freedom of Information Act 1992 - Information Statement .....	24
Public Interest Disclosure .....	25
Disability Access and Inclusion Plan .....	25
State Records Act 2000 – Record Keeping Plan .....	25
Overview of Integrated Planning .....	25
Shire of Nannup - Audited Financial Statements .....	27
Independent Audit Report .....	28

## Introduction

Council is pleased to present the Annual report for the Shire of Nannup for the financial year ending June 30, 2019. This report is prepared in accordance with the requirements of Section 5.53 of the Local Government Act 1995, relevant Standards and Regulations.

Council is required to include within this report information that relates to its operations and activities and it is hoped that readers will find this information of interest.

Copies of the report are available at the Shire Office in Adam Street, Nannup.  
Council welcomes any comments from ratepayers and residents within the Shire.

## Vision Statement

*“To foster a community that acknowledges its heritage, values and lifestyles whilst encouraging sustainable development.”*

## Mission Statement

*“The Shire of Nannup will deliver quality services, facilities and representation in order to achieve our Vision”*

## Values

*“We will promote and enhance the following values in all our relationships with our community”*

**Honesty** in our dealings

**Integrity** in our actions

**Consistency** in decision making

**Teamwork** in our operations

**Respect** for others and their decisions

**Caring** for people in our community

**Commitment** to decisions and roles

**Responsive** to the needs of other

**Effective communication** with all

## Our Community Statement

*We are a unique town that role models sustainability, friendliness, taking the time to celebrate our heritage and festivals.*

*We are surrounded by amazing nature, with charming historic and built fabric.  
Our leaders provide for and listen to all of us.*

## Our Community

We are a unique town that role models sustainability, friendliness and take the time to celebrate our heritage and festivals

- We will retain our pride in being a small, friendly town that is a nice place to live and full of wonderful people
- We role model self-sufficiency and sustainability as a community
- We respect and value our aged
- Our youth are important and we will focus our energy to give them reasons to stay in Nannup (or come back)

## Our Economy

Sustainability is the key to Nannup's future

- We will have a sustainable, innovative and equitable economy
- Working together to attract people to our amazing Shire

## Our Built Environment

Keep the charm and fabric of Nannup

- Keep the charm and fabric of our unique shire and upgrade the amenity
- Providing a quality planning outcome for community benefit through good consultation
- Increase coverage of our communication systems





## Our Natural Environment

We are surrounded by amazing nature, from our magnificent forests and bush land, to our pristine coastlines

- We will protect our amazing nature, magnificent forests, managed bushland, rivers, agriculture and our pristine coastline
- Keep our beautiful combination of natural landscapes and built environments to retain our community and amenity
- To achieve a green clean future

## Our Community Leadership

We listen to our community leaders

- To listen and partner with our community leaders and all our diverse groups
- To have united community groups working together

## Our Council Leadership

A listening leadership that provides for and represents all

- To do what is right and fair for the people



## Brief Background on Nannup

### Location



Nannup is situated 288km south of Perth and is geographically in the centre of the South West. The Shire of Nannup covers over 3,000 square kilometres, with a total population of 1,328 with a median age of 53 and a population split of 52:48 Male v Female (2016 Census). Eighty-five percent of the Shire is under forest; however, the rich soils, high rainfall and an excellent climate also provide ideal conditions for farming. Environment and heritage play a large role in the community's culture. Nannup boasts a variety of successful industries including beef cattle, horticulture, tourism, arts and crafts, floriculture, aquaculture, viticulture and timber processing.

With National Parks and State Forest being a prominent feature in the Shire, it is a significant tourist attraction for the region and is popular with outdoor adventure enthusiasts. Nannup hosts several significant local events including the Nannup Music Festival, Flower and Garden Festival, Arts Festival and Forest Car Rally.

### The Past

Prior to European settlement, the Wardandi, Bibbulmun, Nyungar and other Indigenous groupings collectively influenced the botany of the areas surrounding the present Nannup locality. Following the European settlement of Western Australia, in Albany and the Swan River in the 1820's, settlers subsequently occupied Augusta and then Busselton (Bussell) in the 1830's.

Settlers quickly looked beyond their immediate vicinity for additional grazing lands. One of the earliest, Thomas Turner of Augusta, followed the Blackwood River towards present day Nannup in 1834. Several expeditions followed in the 1840s, with consistent reports of good grasses. It would

appear that some limited squatting commenced in the district during the early 1850's and considerable selections of land had been taken by 1860. The town was officially gazetted in 1890. The predominant industries of timber and agriculture exist to the present day, with recent diversification into tourism.

### The Present

The Shire of Nannup continues to flourish as community rich in heritage, in touch with its surrounding environment and caring of its community.

As included within the *Community Strategic Plan 2017-2027* Council acknowledges that sustainability for the whole of the community is the key to Nannup's success and continuity. This sustainability will only be achieved through synergies from all the different segments that make up this community.

To this end Council continues to work with the leaders and a variety of proactive groups who are spokespeople for their individual focuses; current representation of this ongoing communication and consultation can be seen in a myriad of ways including but not limited to:

- Nannup's Festivals – Nannup is a town that knows how to party. Each year there are two annual festivals one being the Music Festival held on the First Weekend of March and the other being the Flower and Garden Festival held on the 3<sup>rd</sup> weekend of August each year. Both of these festivals bring a large influx of visitors to our town and help to economically stimulate the local economy. There is also a smaller bi-annual South West FoodBowl event which encourages visitors to experience farming opportunities and to gain a better understanding of where food originally comes from.

On the cycling front, Nannup is gaining a reputation of being a destination for cycling events. On the annual calendar there is currently the Tour of Margaret River, which sees 100 teams of 6 cyclists per team compete in the only Australian Pro-am event, a 3 day 3,200m incline event known as Dirt and a 10 hour 3,000m incline event that takes on the 7 most challenging inclines around Nannup. This event is known as Seven.

- Nannup Timber Mill – Queensland based company Parkside Timber identified WA as an exciting growth opportunity and in early December purchased Nannup Timber Processing. The change of ownership provides investment and employment certainty, and the potential to create local jobs in Nannup. The native forestry industry injects \$220 million into the Western Australian economy each year. Parkside Timber's investment in Nannup Timber Processing is another step towards native forestry's transformation into a resilient and sustainable industry that can deal with the challenges of utilizing smaller logs from regrowth forests. The native forestry sector is an important employer and economic contributor that supplies our community with sustainable, renewable building materials and other timber products. The exciting future of Nannup Timber Processing is key to the economic sustainability of Nannup
- Nannup's agricultural community remains known for the quality of produce grown within this region. As well as the traditional farming pursuits of beef, dairy, sheep, sustainable timber and fresh produce, Nannup is now being acknowledged for the boutique farming industries that have been introduced to this area. These include honey, aquaculture ventures, chestnuts, free range eggs, cheese production and hemp to name a few. Given this wide array of different farming ventures it is little wonder Nannup is known as a Food Bowl both domestically and internationally.



- Nannup's Trails for walkers, mountain bikers, on-road riders, motocross riders, horse riders and canoeists. In fact, for anyone wanting to experience nature at its best, Nannup has a trail for you.

A new addition within this current financial year is the Warren Blackwood Stock Route. This project was a Warren Blackwood Alliance of Council's project which has resulted in a 320km bridle trail based around the old stock droving routes of the original families of the South West. The trail meanders through some of the most picturesque countryside in the south west, through Karri and Jarrah forests and farm land toward the south and west coasts. The bridle trail includes 8 equine friendly camp sites dotted along the route, at intervals of between 30km and 45 km, and sections of self-reliant trail to explore toward the coast. The trail will provide an opportunity for trail enthusiasts to experience living history by following in the footsteps of the pioneer farming families that opened up the coastal south west.

For Mountain bike enthusiasts, Council has currently engaged consultants to engage with the community and interested parties to complete a Masterplan. This Masterplan will be used as an informing document to consider strategically where these type of trails can be constructed to best suit Nannup's terrain. Additionally, a Concept Plan for Tank 7 & 8 is being completed which will detail 30 kilometres of sanctioned tracks around land owned by Forrest Products Commission. It is envisaged that once these plans have been endorsed by Council and funding sourced, this project will begin. This will be a project between many agencies including Department of Biosecurity Attractions and Conservation, Water Corporation, Forest Products Commission, Nannup Shire Council and The Nannup Mountain Bike Club.

When looking at all Nannup has to offer within this segment, it is little wonder that Nannup is being considered a hinterland for the vast coastal areas within the South West corner of Western Australia and one that can offer a different experience to that of our neighbouring coastal communities.

All in all, it is an exciting time to be part of the Nannup Community. While Nannup has the luxury of being a small community-led town whose size allows residents to feel safe and known to each other, Nannup also has sufficient rainfall and a mild climate to ensure that farming communities and natural environments can thrive which in turn ensures sustainability through visitors wanting to visit the region, producers to be producing premium products, new residents being drawn to Nannup's culture and community feel and industries to look at how they can be a part of this vibrant town.

### **The Future**

The future for Nannup is very promising. Council's Strategic Community Plan identifies a number of projects for implementation in the future and includes the ongoing commitment to deliver community based initiatives for the benefit of Nannup's residents.

As acknowledged within 'Our Present', Nannup is well placed for future growth through tourism, industry and agriculture. While it is not possible to completely predict how these areas will develop further in the upcoming years, it is sufficient to acknowledge that there is a very real energy currently engulfing the Nannup community that will ensure that Nannup is sustainable moving forward.

Annual community events showcase cultural, educational and social activities and all residents are encouraged to participate in the ongoing success of these events so we together encourage visitors to our unique town and Shire. As a community Nannup cares about each other and welcome visitors to experience and enjoy our region.

## Council Structure

The Council comprises eight Councillors elected from three wards, North, Central and South. The North and Central wards have three Council representatives and the South ward two; this is in line with the number of electors in each Ward. Council elects the Shire President.

Council is the decision making body on all policy matters. It meets monthly, with Ordinary Meetings of Council being held on the fourth Thursday of every month commencing at 4.30 pm. Members of the public are welcome to attend all meetings of Council and public question time of at least 15 minutes' duration is scheduled at the commencement of all public meetings. In the interest of ensuring that questions are reported correctly within the minutes of the meeting, Council requests, wherever possible, a written copy of questions asked by members of the public be handed to Council once questions have been presented. Agendas for Ordinary Council Meetings are available to members of the public four days prior to meetings. Minutes are placed on display in the Nannup Library within ten working days after each meeting.

A number of Acts of Parliament give the Shire of Nannup the necessary powers to make decisions regarding the natural, built and legal environments which it administers. The Local Government Act 1995 enables the Shire to administer its local government area. Local authorities operate strictly within this act and are not able to undertake actions, activities or services that are not specifically provided for in this or other legislation.

Local laws may be adopted by Council to regulate and govern local issues. Council has adopted local laws relating to:

- Cemeteries
- Refuse Disposal
- Health
- Parking
- Standing Orders for Council Meetings
- Dogs

The work of Council is informed by a number of Advisory committees as listed below:

- Audit Advisory Committee (8 councillors)
- Risk Management Advisory Committee (1 councillor)
- Bush Fire Advisory Committee (2 councillors)
- Local Emergency Management Advisory Committee (2 councillors)
- Australia Day Advisory Committee (5 councillors)
- Local Drug Action Group (1 councillor)

## Nannup Shire Councillors

### SHIRE PRESIDENT: Tony Dean

**WARD:** Central  
**RETIRING:** 2023  
**ADDRESS:** 5709 Vasse Hwy, Nannup  
**PHONE:** 9756 0680  
**EMAIL:** [shirep@nannup.wa.gov.au](mailto:shirep@nannup.wa.gov.au)



### DEPUTY SHIRE PRESIDENT: Robin Mellema

**WARD:** South  
**RETIRING:** 2021  
**ADDRESS:** 176 Blythe Road, Nannup  
**PHONE:** 9756 1156  
**EMAIL:** [deputy.president@nannup.wa.gov.au](mailto:deputy.president@nannup.wa.gov.au)



### COUNCILLOR: Cheryle Brown

**WARD:** North  
**RETIRING:** 2023  
**ADDRESS:** 34 Cundinup-Dudinyillup Rd, Nannup  
**PHONE:** 0428 526 597  
**EMAIL:** [cr.brown@nannup.wa.gov.au](mailto:cr.brown@nannup.wa.gov.au)



### COUNCILLOR: Chris Buckland

**WARD:** Central  
**RETIRING:** 2021  
**ADDRESS:** 117 Warren Road, Nannup  
**PHONE:** 0411 752 761  
**EMAIL:** [cr.buckland@nannup.wa.gov.au](mailto:cr.buckland@nannup.wa.gov.au)



**COUNCILLOR: Vince Corlett**

**WARD:** Central  
**RETIRING:** 2023  
**ADDRESS:** 5282 Vasse Hwy, Nannup  
**PHONE:** 0428 651 890  
**EMAIL:** [cr.corlett@nannup.wa.gov.au](mailto:cr.corlett@nannup.wa.gov.au)

**COUNCILLOR: Patricia Fraser**

**WARD:** South  
**RETIRING:** 2023  
**ADDRESS:** PO Box 14, Nannup  
**PHONE:** 9756 1112  
**EMAIL:** [cr.fraser@nannup.wa.gov.au](mailto:cr.fraser@nannup.wa.gov.au)

**COUNCILLOR: Vicki Hansen**

**WARD:** North  
**RETIRING:** 2021  
**ADDRESS:** PO Box 349, Nannup  
**PHONE:** 9756 0165  
**EMAIL:** [cr.hansen@nannup.wa.gov.au](mailto:cr.hansen@nannup.wa.gov.au)

**COUNCILLOR: Cate Stevenson**

**WARD:** North  
**RETIRING:** 2021  
**ADDRESS:** PO Box 306, Nannup  
**PHONE:** 0411 752 761  
**EMAIL:** [cr.stevenson@nannup.wa.gov.au](mailto:cr.stevenson@nannup.wa.gov.au)



## Shire President's Report

As Shire President I am pleased to present the Annual Report. This outlines the activities of the Shire of Nannup during the 2018/2019 financial year.

This financial year started with Council imposing a rate increase of, on-average, 6.5%. While a rate increase is never viewed in a positive light, given the current economic climate and the need to be sustainable into the future an increase was necessary. I can assure ratepayers that Councillors are extremely mindful of external factors when setting the budget. However, the normal standard of expected services must be delivered and maintained. There is also a need to undertake projects that will benefit the district as a whole for years to come.

In the year under review capital projects completed include the refurbishment of the Change Rooms and Toilets at the Recreation precinct. For a number of years these amenities were identified as below standard. The opportunity to refurbish these is ensuring that both local and visiting sports teams can be well catered for. This project was funded jointly by Council and the Department of Sport and Recreation.

Major infrastructure upgrades within the year included Cundinup South Road, Bridgetown Road, Fouracres Road, Pneumonia Road and Jangardup Road to name a few. These have been completed by Council's Works and Service Team. I thank them for another job well done.

Community collaboration projects were also undertaken. This is always pleasing to be part of as it ensures that Council is continuing to listen to the community and look at projects that are important to our town. Council collaborated with the Nannup Mountain Bike Club, The Department of Biosecurity Attractions and Conservation, Water Corporation, and Forest Products Commission to work towards a Masterplan for cycling as well as a concept plan for Tanks 7 & 8. Currently these plans are only informing documents however it is envisaged that once complete, these can be used to source funding and begin construction of sanctioned trails around Nannup. The economic boost that these trails will have is something that Council is excited to be a part of.

Funding was received for Bushfire Mitigation works around Nannup through the Office of Bushfire Risk Management and Royalties for Regions. This funding enabled significant bushfire mitigation works to be completed which will help towards protecting our community from the threats associated with Bushfires. In smaller communities like Nannup the ability to be able to source funding of this nature is imperative. It allows us to remain vigilant against the threats associated with Bushfire. Nannup has again successfully secured further funding for the 2019/20 financial year. Again, allowing further mitigation works to be completed.

It is pleasing to report that the Shire of Nannup maintains a healthy suite of Reserve Funds for specific areas of Council's operations. As at 30 June 2019 this balance was \$2.622M. These funds allow Council to complete capital projects identified through community consultation as well as to minimize the impact on annual Budgets.

Currently Council has 12 active reserves including Plant Replacement, Asset Management, Waste Management, Office Equipment, Aged Housing and Long Service Leave.

As always, I would like to thank my fellow Councillors for their support during the year. The Shire of Nannup should be comforted by the fact that they are served by a dedicated and cohesive cohort of Councillors. This support makes my position as Shire President an enjoyable one. There are always challenging issues and Council faced them with a consultative approach. The desired outcomes have been achieved in the long run.



2019 was an election year for Local Government. In Nannup, this meant four of the eight Councillors were up for re-election. During this process Cr. Bob Longmore and Cr. Norm Steer decided not to re-nominate. I would like to formally thank them for the eight years that they have served their community as Councillor representatives. Their input and dedication throughout this time has been unfaltering and greatly appreciated. Each of them had particular issues they felt strongly about and worked hard to support the vision of the community members they represented. Their presence on Council will be missed. Two new Councillors were consequently elected. I warmly welcome Cr. Cheryle Brown and Cr. Vince Corlett. I am sure their contribution to Council will support further growth within our community.

I am also indebted to the hard working employees of the Shire of Nannup. All employees take great pride in their work. They are committed to achieving the objectives set by Council. The past 12 months have been no different and all of our employees' efforts, through the myriad of projects that they have been involved with are to be commended.

In my Annual Report I always like to mention and thank the many volunteers in our community. These people are the backbone of small towns. No matter how or where they offer valuable time for their particular organizations and associations. Data from the 2016 Census showed that 34% of people living in Nannup regularly volunteer. This is 15% higher than the national and state averages. Whether it be volunteers for our two wonderful Festivals or those involved in sporting or community organisations, the contributions that you make are invaluable and appreciated by the whole community. I would also encourage community members who currently are not volunteering to consider giving volunteering in some capacity a go. The benefits to oneself are enormous.

In closing, thank you again to all community members. Your continued support and trust allow both myself and my fellow Councillors to govern and lead into, what I believe, is a vibrant and exciting future.



Tony Dean

Shire President



## Chief Executive Officer's Report

This year saw the completion of many major projects including major road works, Warren Blackwood Bridal Trail, Riverside Trail and smaller grant based community initiatives.

I can only echo the message from the Shire President in that the Council and staff have continued to strive to serve the Nannup community as best as possible.

A single major project that was commenced this year was the Nannup Cycle Master Planning and Tank 7 and 8 Concept Design. These projects are working towards creating new industry and bring further economic development to Nannup and will form part of the Trails Town Strategy.

The review of the Local Government Act 1995 is continuing with the McGowan Government striving to finalise the new Act by 2020. The review to date has seen some changes around Elected Member training requirements and Gift Disclosures. The sector looks forward to the new Act and the positive changes that it should bring.

Adding to the Shire Presidents report, Council maintained its' annual Community Grants Program with a number of community organisations benefitting. This program is advertised in the local "Telegraph" newsletter early in the year calling for applications for funding and I would encourage local groups to apply.

I would like to acknowledge the staff and all their efforts during the year to deliver the best quality service possible for our Community. Unfortunately, we all had to say goodbye to one of our longest serving employees, Colin Styles, who suddenly passed away earlier in the year. Our condolences go out to all of his friends and family.

Before closing, I would like to thank the Shire President and Councillors for their hard work and dedication to serving the community of Nannup. It has been a pleasure working with everyone, including those community groups that make our community prosper.



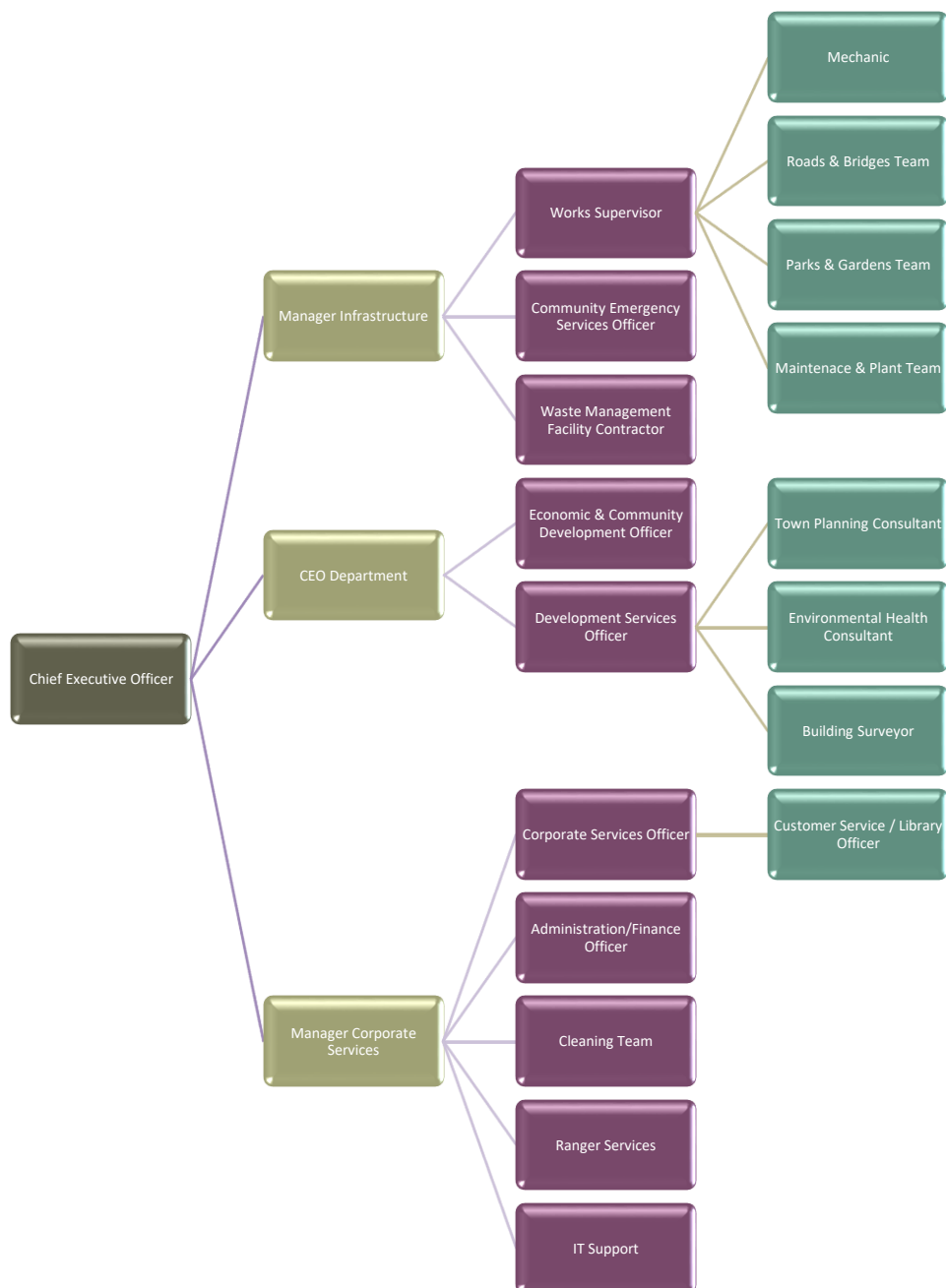
David Taylor  
Chief Executive Officer





## Shire of Nannup Organisational Structure

As at 30 June 2019



## Corporate and Community Services Department

It is with pleasure that I present my report to the Electors in my capacity as Manager of Corporate Services for the Shire of Nannup by providing a brief overview of the financial position of Council as at 30 June 2019.

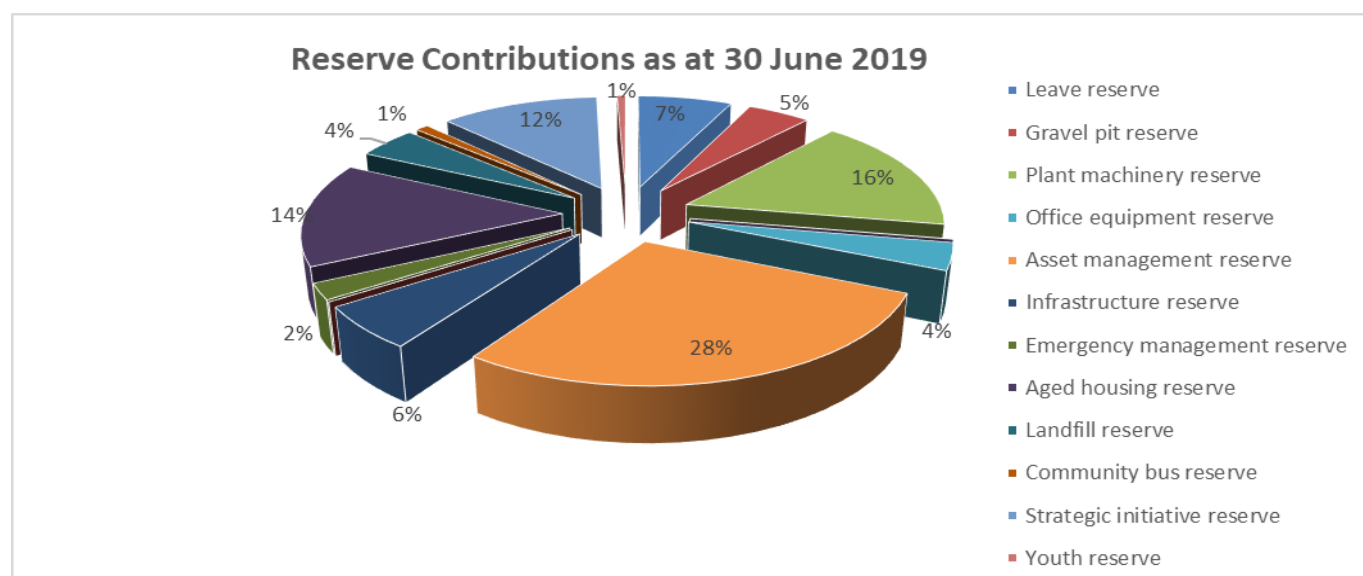
### Financial Summary

This report marks a change in auditing requirements for the Shire of Nannup. Changes to the Local Government Act 1995 on the 27 October 2017 mandated that Office of the Auditor General (OAG) would take on responsibility for the annual financial audits of local government entities as current contracts with auditors expired. For the Shire of Nannup, the existing contract expired as at 2017/18 resulting in the OAG completing the audit. Council's Financial Statements for the period 1 July 2018 to 30 June 2019 included within this report have therefore been signed off on by this office. A copy of this Independent Auditors Report is included within this document in addition to the Annual Financial Statements.

### Reserve Funds

In line with Council's *Community Strategic Plan 2017-2027* a Reserve Portfolio is managed. This portfolio is invested through term deposit structures designed to achieve optimum return on investment as identified in line with Council's Investment Policy FNC 7. As at June 30, 2019 there has been an 29% increase in the overall funds held within the Reserve portfolio since the beginning of this financial year.

As at 30 June 2019, Council held within this Reserve Portfolio \$2,622,747. This is contained within twelve different reserve accounts currently with balances over \$1,000. The individual breakdown of these reserve accounts is shown within the following chart. The reserve fund with highest value remains the Asset Management Reserve which is used to cover capital costs associated with Council's buildings as identified where there are no grant funding opportunities available to cover costs. For further information, relating to the purpose of each reserve fund, please refer to financial note covering reserve contributions.





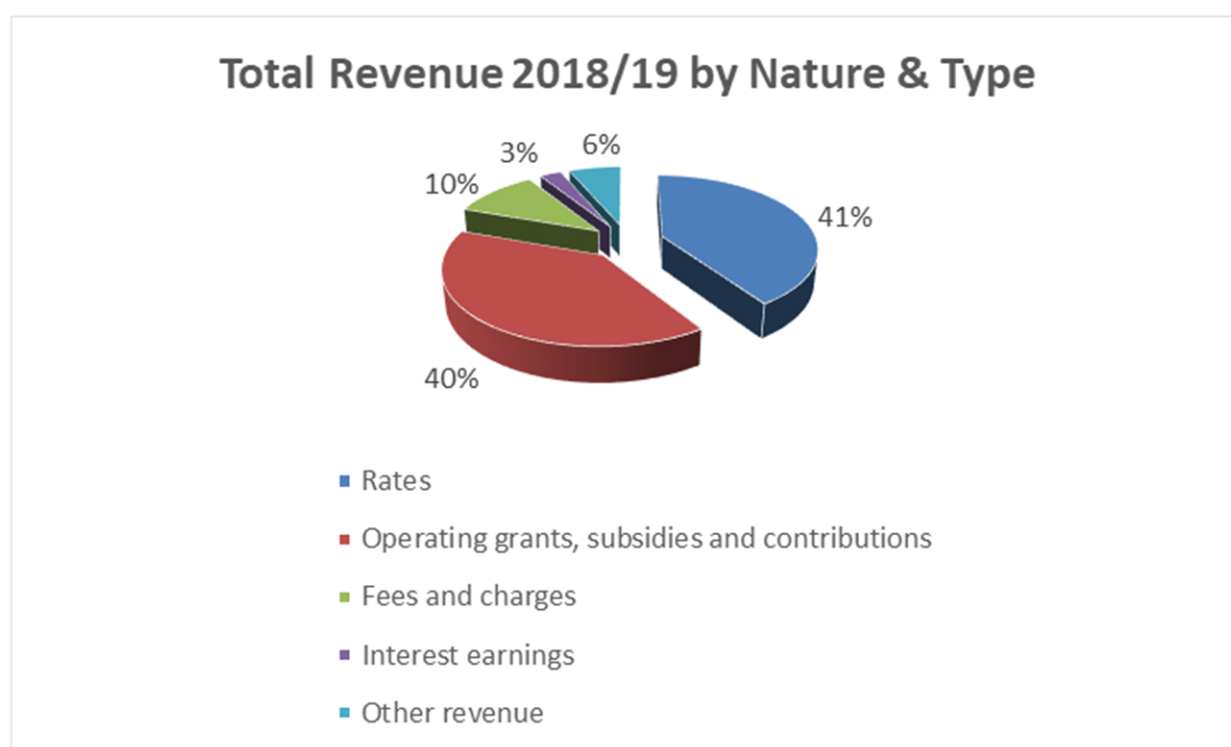
## Revenue

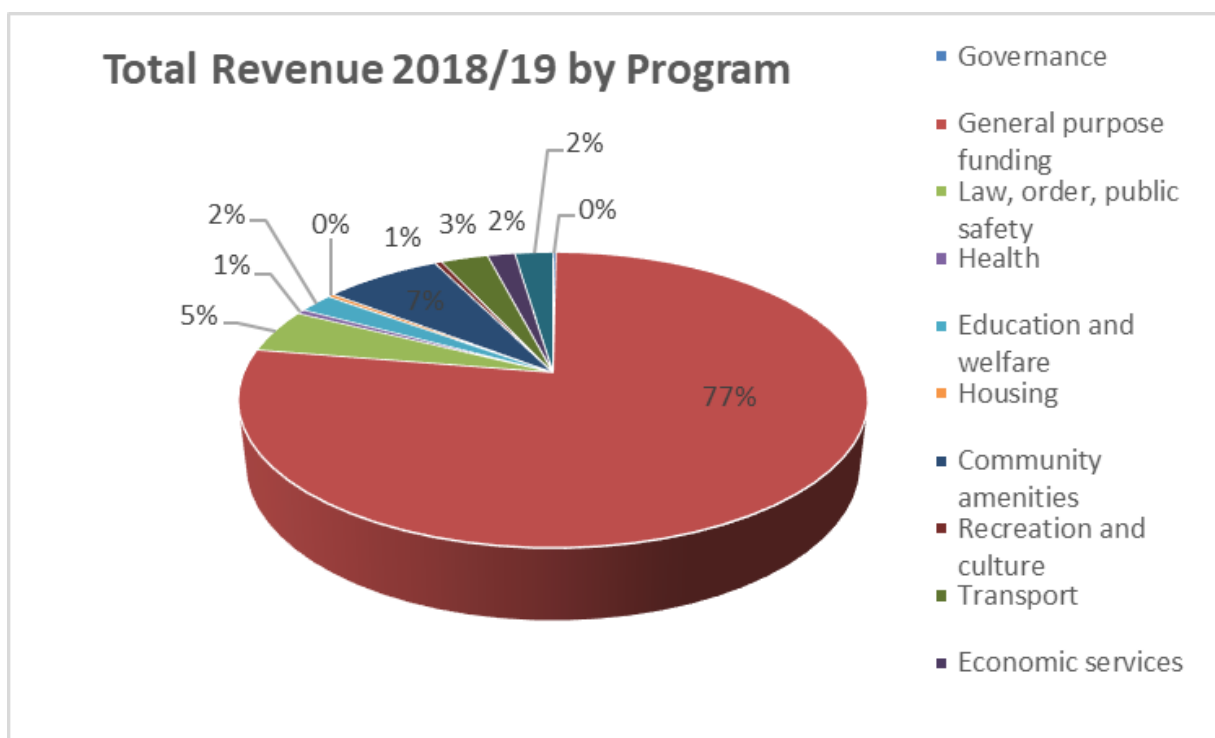
Council is limited in its capacity to raise revenue from its own sources. Revenue is primarily received in the form of grants, rates and fees and charges.

Grant funding comes from both State and Federal Government departments covering a variety of different funding opportunities. One of these funding bodies that Council would like to acknowledge is the Department of Sport and Recreation. Their ongoing funding support through the KidSport program ensures that the youth of Nannup have the opportunity to pursue sporting activities that may otherwise not be available to them. Other major grant contributions which are received from these levels of government are the Financial Assistance Grants and Local Road Grants.

Unfortunately, the Shire of Nannup is restricted in the ability to raise rates on 85% of land within our boundaries as it is contained within state forests and as such is non rateable land. Despite this limitation Council is required to ensure that adequate revenue is achieved annually to match operating expenditure, capital growth within the community and those services are provided to an acceptable standard. For the past few years Council has continued to work towards sustainability through own source revenue contributing as the major source of income. This year Council has this source of income, which is made up of rate income and fees and charges, contributing to 51% of overall operating income.

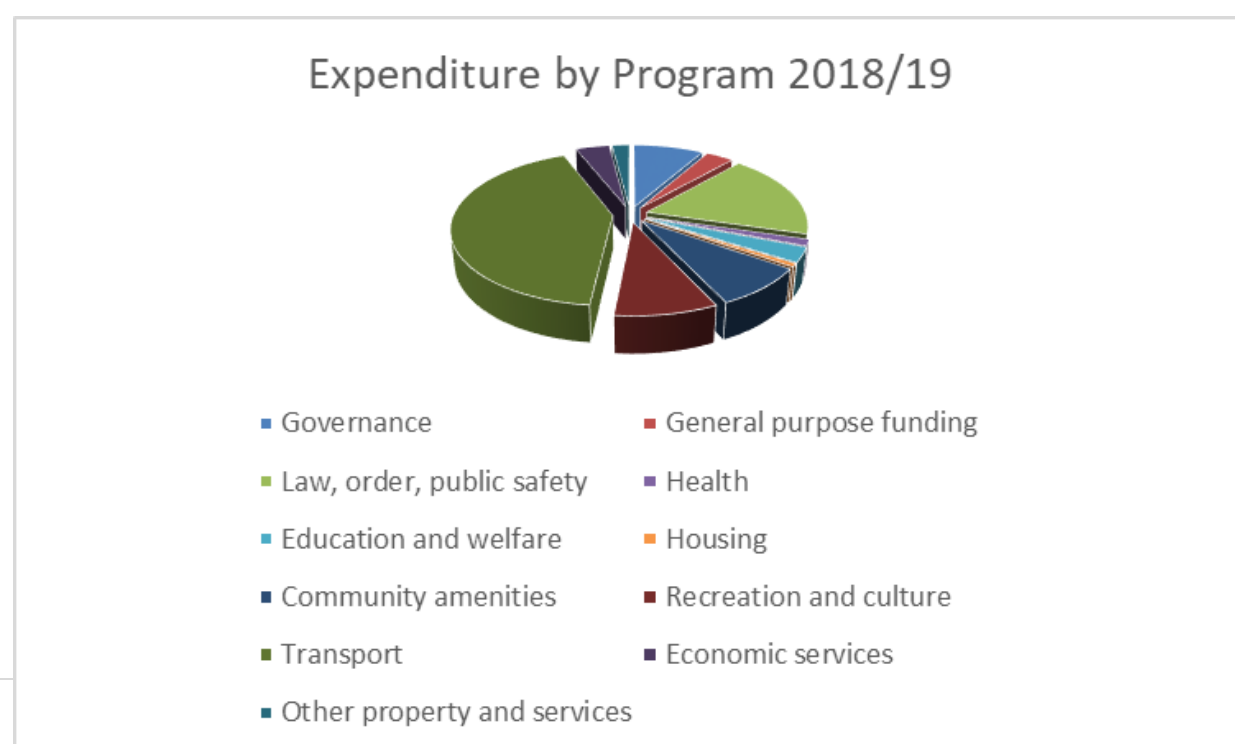
The graph below details the breakdown of the income received for the 2018/19 year by Nature and Type:





### Expenditure

Council's operating expenditure for 2018/19 is shown below by program. Transport continues to be the schedule that the largest expenditure for each year. Primarily this is as a result of maintaining our vast road network within the Shire of Nannup. Within 2018/19 this included upgrades to Cundinup South, Bridgetown, Fouracres, Pneumonia and King Roads to name a few. A full review of road expenditure is included within the Works and Services report. This year there was also significant spending within Law, Order and Public Safety. This was as a result of Council being successful in receiving funding towards mitigation works within the Shire of Nannup which will help towards protecting our community in the event of bushfire emergencies.



## Rating

The amount of revenue raised from rates depends upon three factors.

1. The type of rate – Gross Rental Value or Unimproved Value
2. The valuation of the property
3. The rate in the dollar set for each rate type.

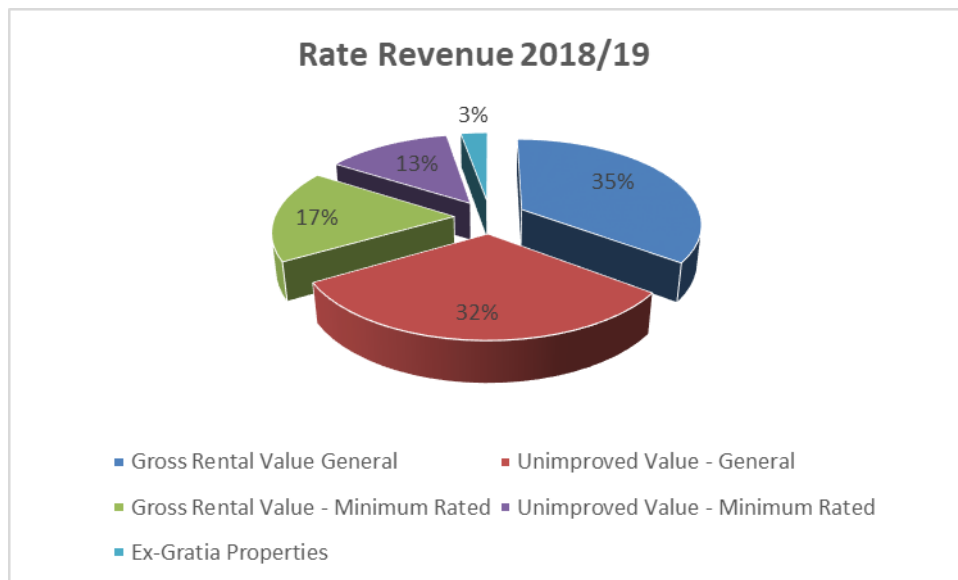
Gross Rental Values are usually applied to properties within town sites as well as Special Rural lots. These properties previously were revalued every three years. However, within this year notification was received that revaluations of this class will now be applied every 5 years. Consequently, there was no revaluation to the GRV class this financial year with the next review now due in 2020/21.

Unimproved Values are revalued annually.

Land valuation, regardless of type, are set by the Valuer General and are outside of Council's control. Variations in valuations can be quite widespread through the shire as a result of the dependency on current land sales and land type as to valuations applied. This can create inconsistencies in the rates for the individual landowner.

Each year Council sets its rate budget in order to cover costs associated with expenditure identified for the upcoming year where there is no other form of income to cover this expense. This dollar figure is then split over the two categories of land valuations based on valuations received from Landgate. Additionally, minimum rates are applied to up to 50% of properties within the two classes. Council generally tries to ensure that the rate increase is applied blanket style to all classes of properties and is sympathetic to those ratepayers where increases are higher than the district average. As a general rule this will occur when valuations are higher on an individual property than the average increase to properties. Unfortunately, there is little that Council can do when this occurs except to encourage ratepayers who are unhappy with their valuation to appeal to the Valuer General. For information on the process of doing this please contact staff within the administration office.

Rate Revenue 2018/19	
Rating Type	Rate in Dollar Applied
Gross Rental Value – General	\$0.086979
Unimproved Value - General	\$0.004534
Gross Rental Value – Minimum Rated	\$928 per property
Unimproved Value – Minimum Rated	\$1,118 per property
Ex-Gratia Properties	\$0.004534



Total rate revenue raised for 2018/19 for the Shire of Nannup is \$1,704,777.

Finally, I would like to acknowledge all of the fantastic people who work within my portfolio. Their dedication and support ensures that Corporate, Community, Library and Ranger Services and the Cleaning of Council's assets is completed in a seamless manner. Thank you to each and every member of this team.

Tracie Bishop

Manager Corporate Services





## Works & Services Department

The Works and Service Department were kept busy in the 2018/19 financial year completing road improvement upgrades, road infrastructure maintenance, town site maintenance including parks and gardens, building maintenance and fire mitigation works both in the Nannup town site and

the outlying district. Other works included bridge maintenance, footpath repair, building maintenance, firebreaks, grave preparation, waste burial and site maintenance and fire emergency support.

Road projects carried out were:

- Seal correction and shoulder reconstruction on Cundinup South Road and Bridgetown Rd,
- Continued road improvement on Fouracres, Pneumonia and Jangardup Roads,
- Final bitumen seal on King Rd,
- Drainage improvement and widening of Johnston Road, and
- Drainage improvement on Centenary and Stacey Road.

General road maintenance carried out included:

- Road grading,
- Drainage maintenance,
- Shoulder rehabilitation,
- Debris removal on road reserves,
- Sign and guide post maintenance,
- Replacement, bitumen repairs, and
- Removal of fallen trees on roads.

Building improvement included:

- Refurbishment of the Sports and Recreation Centre Change rooms/Toilets, and
- Installation of CCTV to the Recreation Centre building.

Our Town Maintenance/Gardens team of two continued to maintain and improve Councils parks, playgrounds, sports ground, gardens, river foreshore, town entries, cemetery and street verges to a very high standard which included:

- Maintenance of reticulation systems, playground equipment, mowing and turf,
- Preparing, watering and maintaining garden beds, street trees and planter boxes,
- Weed and litter control,
- Assistance with preparation for events particularly the Flower and Garden Festival.

Council also resumed management and maintenance of the waste disposal site by manning the gate, burying rubbish, continuing the recycling of materials including the introduction of E-waste recycling, running the tip shop and making general improvements to the site.

Special mention should also be made of the Bunbury Regional Prison Works team that as a result of their efforts the River Walk Trail was completed providing safe walking access along the river.





Council Road Construction works for 2018/19 were as follows:

Road	Works completed	\$ 000	Funding Body
Jangardup Road	Widen Culvert Crossing	20	Roads to Recovery
Pneumonia Road	Reconstruct and widen	51	Roads to Recovery
King Road	Reconstruct and Seal	20	Roads to Recovery
Johnston Road	Widen, reconstruct seal	118	Roads to Recovery
Cundinup South Road	Shoulder Reconstruction	43	Roads to Recovery
Cundinup South Road	Seal Correction	105	Council and Regional Road Group
Fouracres Road	Reconstruct and Seal	130	Council and Regional Road Group
Bridgetown Road	Seal Correction	91	Council and Regional Road Group
Centenary Road	Culvert Installation	15	Council
Stacey Road	Culvert Replacement	10	Council

As part of Council's commitment to maintain a modern, safe and reliable fleet the Plant Replacement Program in 2018/19 allowed for the replacement of the Backhoe.

The Works and Services Department consisted of 13 full time staff, these being 1 x Works Supervisor, 2 x Leading Hands, 1 x Leading Hand Horticulturist, 1 x Plant Mechanic, 5 x Plant Operators 1 x Gardener, 1 x Handy Man and 1 x Waste Site Attendant.



Jonathan Jones  
Manager Infrastructure



## Statutory Compliance Report

This section of the Annual Report fulfils reporting requirements that may be imposed on the Shire of Nannup through State and Federal Statutes and subsidiary legislation.

### Competitive Neutrality – Business Activities

The Principals of National Competition Policy require councils to test the cost efficiency of all Council activities which generate annual user income in excess of \$200,000 against the private sector.

As no activities of the Shire of Nannup generate this level of income, no review of activities needs to be undertaken. Council does have an in-house philosophy of constantly reviewing the way we work with the view to making our operations as cost effective as possible.

### The Financial Management Review

As per the Local Government (Financial Management) Regulations 1996, the Chief Executive Officer is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

This review was completed in April 2019 and reported to Council at the June 2019 Ordinary Meeting of Council.

### Audit Regulation 17 Review

An amendment to Regulation 17(2) requires the CEO to undertake a review of audit systems and procedures no less than once in every three financial years. This change introduced consistency in CEO responsibilities to review financial management and audit systems and procedures in a timely manner.

This review was last carried out in June 2019 by the external audit firm, Moore Stephens. Based on the revised timeframes, next review is due to be completed by 30 June 2022.

### Freedom of Information Act 1992 - Information Statement

Council adopted its Information Statement on 23 November 2000. This Statement was prepared in accordance with the Freedom of Information Act 1992, and associated guidelines. The Statement was last reviewed by Council on 26 November 2015.



**Public Interest Disclosure**

A local government is required to appoint one of its officers to act as the Council's Public Interest Disclosure Officer under the Public Interest Disclosures Act 2003. The CEO has appointed the Manager Corporate Services to fulfil this role. The legislation requires the reporting of serious wrongdoing with State Public Sector and Local Government as well as providing the mechanism for responding to reports.

No disclosures were received in relation to the Shire of Nannup during 2018/19.

**Disability Access and Inclusion Plan**

The Disability Services Amendment Act 2004 introduced a requirement for Councils to produce a Disability Access and Inclusion Plan. Council submitted a revised Disability Access and Inclusion Plan to the Disability Services Commission who accepted the Plan. Council reviewed the updated plan on 14 May 2019. The revised Disability and Inclusion Plan is for the period 2017 – 2020 with the new review due June 2020.

**State Records Act 2000 – Record Keeping Plan**

The Shire of Nannup is committed to good record keeping practices compliant with the State Records Act 2000. The Shire's Record Keeping Plan has been approved for a period of five years with no further requirements required. This Plan was last reviewed in December 2015 and is due for review by December 2020.

**Overview of Integrated Planning**

Council's Plan for the Future is articulated in the Strategic Community Plan and the Corporate Business Plan. These plans are the primary documents that form part of the integrated planning and reporting framework legislated by State Government that give communities the opportunity to shape their own future. A review is required of these plans every 4 years. The Shire of Nannup completed this four yearly review process in June 2017.

The Community Strategic Plan sits at the top of the Framework supported by the Corporate Business Plan, Annual Budget, Asset Management Plan, Long Term Financial Plan and Workforce Plan. The Corporate Business Plan is the first step towards achieving the communities' key priorities and is reviewed annually.

Members of the public are encouraged to read Council's other publications which are available either from the Administration Building or by visiting our webpage

Projects undertaken in the 2018/19 financial year were ones that were identified in the current Strategic Community Plan 2017/2027.



### Employee Remuneration

During 2018/19 the number of employees whose remuneration exceeded \$100,000 (excluding benefits in kind) was as follows:

Band	No.
\$100,000 - \$110,000	1
\$110,001 - \$120,000	1
\$121,000 - \$130,000	1

### Complaints under Section 5.121 of the Local Government Act 1995

No complaints relating to this section of the Local Government Act 1995.





## Shire of Nannup - Audited Financial Statements

### SHIRE OF NANNUP

### FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

#### TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	49

#### COMMUNITY VISION

"We are a unique town that role models sustainability, friendliness, taking the time to celebrate our heritage and festivals."

"We are surrounded by amazing nature with charming historic and built fabric."

Principal place of business:  
15 Adam Street  
Nannup WA 6275


**SHIRE OF NANNUP  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire of Nannup for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Nannup at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the Eleventh day of December 2019

  
\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
David Taylor



SHIRE OF NANNUP  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	20(a)	1,704,777	1,695,864	1,591,879
Operating grants, subsidies and contributions	2(a)	1,664,458	917,438	1,974,541
Fees and charges	2(a)	443,620	421,204	413,862
Interest earnings	2(a)	110,597	41,868	78,231
Other revenue	2(a)	268,433	31,156	414,901
		<u>4,191,885</u>	<u>3,107,530</u>	<u>4,473,414</u>
<b>Expenses</b>				
Employee costs		(1,773,974)	(1,875,166)	(1,708,033)
Materials and contracts		(1,329,753)	(1,798,757)	(1,104,367)
Utility charges		(98,838)	(92,249)	(106,108)
Depreciation on non-current assets	10(b)	(1,396,421)	(821,280)	(1,386,087)
Interest expenses	2(b)	(10,892)	(9,868)	(3,423)
Insurance expenses		(171,429)	(182,575)	(155,567)
Other expenditure		0	(1,200)	(343,971)
		<u>(4,781,307)</u>	<u>(4,781,095)</u>	<u>(4,807,556)</u>
		(589,422)	(1,673,565)	(334,142)
Non-operating grants, subsidies and contributions	2(a)	1,156,907	488,000	1,384,225
Profit on asset disposals	10(a)	1,364	0	42,474
(Loss) on asset disposals	10(a)	(25,574)	(118,126)	(5,011)
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	17,517	0	0
		<u>1,150,214</u>	<u>369,874</u>	<u>1,421,688</u>
<b>Net result for the period</b>		<b>560,792</b>	<b>(1,303,691)</b>	<b>1,087,546</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	472,474	0	(1,709,782)
<b>Total other comprehensive income for the period</b>		<b>472,474</b>	<b>0</b>	<b>(1,709,782)</b>
<b>Total comprehensive income for the period</b>		<b>1,033,266</b>	<b>(1,303,691)</b>	<b>(622,236)</b>

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



SHIRE OF NANNUP  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2019

NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>			
Governance	7,326	0	57,125
General purpose funding	3,245,789	2,397,828	3,042,888
Law, order, public safety	201,560	245,790	233,312
Health	21,438	12,975	18,564
Education and welfare	89,898	29,819	62,165
Housing	16,000	20,800	358,300
Community amenities	301,598	274,868	259,246
Recreation and culture	18,388	18,436	30,847
Transport	121,107	62,284	210,884
Economic services	70,530	24,730	152,862
Other property and services	98,251	20,000	47,420
	<u>4,191,885</u>	<u>3,107,530</u>	<u>4,473,414</u>
<b>Expenses</b>			
Governance	(397,210)	(929,323)	(532,887)
General purpose funding	(156,299)	(98,759)	(127,274)
Law, order, public safety	(856,573)	(397,283)	(508,506)
Health	(64,216)	(54,951)	(65,004)
Education and welfare	(147,489)	(117,246)	(201,040)
Housing	(31,038)	(24,410)	(14,559)
Community amenities	(395,067)	(333,478)	(440,727)
Recreation and culture	(414,997)	(280,588)	(397,760)
Transport	(2,017,848)	(1,530,191)	(2,382,135)
Economic services	(191,599)	(146,695)	(226,540)
Other property and services	(98,079)	(878,303)	92,299
	<u>(4,770,415)</u>	<u>(4,771,227)</u>	<u>(4,804,133)</u>
<b>Finance Costs</b>			
General purpose funding	0	0	240
Community amenities	(10,892)	(9,868)	(3,663)
	<u>(10,892)</u>	<u>(9,868)</u>	<u>(3,423)</u>
	(589,422)	(1,673,565)	(334,142)
Non-operating grants, subsidies and contributions	2(a) 1,156,907	488,000	1,384,225
Profit on disposal of assets	10(a) 1,364	0	42,474
(Loss) on disposal of assets	10(a) (25,574)	(118,126)	(5,011)
Fair value adjustments to financial assets at fair value through profit or loss	17,517	0	0
	<u>1,150,214</u>	<u>369,874</u>	<u>1,421,688</u>
<b>Net result for the period</b>	<b>560,792</b>	<b>(1,303,691)</b>	<b>1,087,546</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	11 472,474	0	(1,709,782)
<b>Total other comprehensive income for the period</b>	<b>472,474</b>	<b>0</b>	<b>(1,709,782)</b>
<b>Total comprehensive income for the period</b>	<b>1,033,266</b>	<b>(1,303,691)</b>	<b>(622,236)</b>

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



SHIRE OF NANNUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	4,192,064	3,826,280
Trade receivables	5	736,997	319,469
Other financial assets at amortised cost	7	49,797	0
Other loans and receivables	7	0	17,429
Inventories	6	146,023	6,240
<b>TOTAL CURRENT ASSETS</b>		<b>5,124,881</b>	<b>4,169,418</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	100,414	84,654
Other financial assets at amortised cost	7(b)	307,956	0
Financial assets at fair value through profit and loss	7(b)	17,517	0
Other loans and receivables	7(b)	0	33,132
Property, plant and equipment	8	12,823,214	12,336,266
Infrastructure	9	96,106,843	96,680,504
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,355,944</b>	<b>109,134,556</b>
<b>TOTAL ASSETS</b>		<b>114,480,825</b>	<b>113,303,974</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	243,549	438,903
Borrowings	13(a)	49,797	17,429
Employee related provisions	14	389,941	364,580
<b>TOTAL CURRENT LIABILITIES</b>		<b>683,287</b>	<b>820,912</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13(a)	307,956	33,132
Employee related provisions	14	57,420	51,034
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>365,376</b>	<b>84,166</b>
<b>TOTAL LIABILITIES</b>		<b>1,048,663</b>	<b>905,078</b>
<b>NET ASSETS</b>		<b>113,432,162</b>	<b>112,398,896</b>
<b>EQUITY</b>			
Retained surplus		32,321,140	32,365,402
Reserves - cash backed	4	2,622,747	2,017,695
Revaluation surplus	11	78,488,275	78,015,801
<b>TOTAL EQUITY</b>		<b>113,432,162</b>	<b>112,398,898</b>

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





SHIRE OF NANNUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		31,689,805	1,605,746	79,725,583	113,021,134
Comprehensive income					
Net result for the period		1,087,546	0	0	1,087,546
Other comprehensive income	11	0	0	(1,709,782)	(1,709,782)
Total comprehensive income		1,087,546	0	(1,709,782)	(622,236)
Transfers from/(to) reserves		(411,949)	411,949	0	0
Balance as at 30 June 2018		32,365,402	2,017,695	78,015,801	112,398,898
Comprehensive income					
Net result for the period		560,792	0	0	560,792
Other comprehensive income	11	0	0	472,474	472,474
Total comprehensive income		560,792	0	472,474	1,033,266
Transfers from/(to) reserves		(605,052)	605,052	0	0
Balance as at 30 June 2019		32,321,140	2,622,747	78,488,275	113,432,162

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

SHIRE OF NANNUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,658,080	1,695,864	1,534,686
Operating grants, subsidies and contributions		1,312,632	917,438	1,852,265
Fees and charges		443,620	421,204	402,204
Interest received		110,597	41,868	78,231
Goods and services tax received		0	0	91,644
Other revenue		268,433	31,156	414,901
		3,793,362	3,107,530	4,373,931
<b>Payments</b>				
Employee costs		(1,693,002)	(1,875,166)	(1,731,827)
Materials and contracts		(1,659,544)	(1,798,757)	(758,957)
Utility charges		(98,838)	(92,249)	(106,108)
Interest expenses		(11,055)	(9,868)	(3,423)
Insurance paid		(171,429)	(182,575)	(155,567)
Goods and services tax paid		(34,765)	0	(91,644)
Other expenditure		0	(1,200)	(343,971)
		(3,668,633)	(3,959,815)	(3,191,497)
<b>Net cash provided by / (used in) operating activities</b>	15	124,729	(852,285)	1,182,434
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	8(a)	(402,225)	(396,000)	(388,396)
Payments for construction of infrastructure	9(a)	(584,992)	(495,036)	(1,810,492)
Non-operating grants, subsidies and contributions		1,156,907	488,000	1,384,225
Advances to community groups				
Proceeds from sale of property, plant & equipment	10(a)	71,364	131,818	175,475
<b>Net cash provided by / (used in) investment activities</b>		241,054	(271,218)	(639,188)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	13(b)	(42,808)	(43,386)	(16,415)
Advances to community groups		(350,000)	(350,000)	0
Proceeds from self supporting loans	13(b)	42,808	43,386	16,415
Proceeds from new borrowings		350,000	350,000	0
<b>Net cash provided by / (used in) financing activities</b>		0	0	0
<b>Net increase / (decrease) in cash held</b>		365,786	(1,123,503)	543,246
Cash at beginning of year		3,826,280	3,676,176	3,283,036
<b>Cash and cash equivalents at the end of the year</b>	15	4,192,064	2,552,673	3,826,282

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

SHIRE OF NANNUP  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)		1,453,676	865,003	1,464,502
		1,453,676	865,003	1,464,502
<b>Revenue from operating activities (excluding rates)</b>				
Governance		8,690	0	57,125
General purpose funding		1,588,864	749,815	1,495,938
Law, order, public safety		201,560	245,790	233,312
Health		21,438	12,975	18,564
Education and welfare		89,898	29,819	62,165
Housing		16,000	20,800	358,300
Community amenities		301,598	274,868	259,246
Recreation and culture		18,388	18,436	30,847
Transport		121,107	62,284	253,358
Economic services		70,530	24,730	152,662
Other property and services		98,251	20,000	47,420
		2,536,324	1,459,517	2,968,937
<b>Expenditure from operating activities</b>				
Governance		(397,210)	(929,323)	(533,368)
General purpose funding		(156,299)	(101,941)	(127,034)
Law, order, public safety		(856,573)	(397,283)	(508,506)
Health		(64,216)	(54,951)	(65,004)
Education and welfare		(147,489)	(117,246)	(201,040)
Housing		(31,038)	(24,410)	(14,559)
Community amenities		(405,959)	(343,346)	(444,390)
Recreation and culture		(414,997)	(260,588)	(397,760)
Transport		(2,015,903)	(1,645,135)	(2,386,665)
Economic services		(191,599)	(146,695)	(226,540)
Other property and services		(98,079)	(878,303)	92,299
		(4,779,362)	(4,899,221)	(4,812,567)
Non-cash amounts excluded from operating activities	21(a)	1,361,279	939,406	1,336,989
<b>Amount attributable to operating activities</b>		571,917	(1,635,295)	957,861
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,156,907	488,000	1,384,225
Proceeds from disposal of assets	10(a)	71,364	131,818	175,475
Proceeds from self supporting loans	13(b)	42,808	43,386	16,415
Purchase of property, plant and equipment	8(a)	(402,225)	(396,000)	(388,395)
Purchase and construction of infrastructure	9(a)	(584,992)	(495,036)	(1,810,492)
<b>Amount attributable to investing activities</b>		283,862	(227,832)	(622,772)
<b>FINANCING ACTIVITIES</b>				
Advances to community groups		(350,000)	(350,000)	0
Repayment of borrowings	13(b)	(42,808)	(43,386)	(16,415)
Proceeds from borrowings	13(c)	350,000	350,000	0
Transfers to reserves (restricted assets)	4	(1,172,776)	(35,000)	(733,997)
Transfers from reserves (restricted assets)	4	567,724	293,500	322,048
<b>Amount attributable to financing activities</b>		(647,860)	215,114	(428,364)
<b>Surplus/(deficit) before imposition of general rates</b>		207,919	(1,648,013)	(93,275)
<b>Total amount raised from general rates</b>	20	1,656,925	1,648,013	1,546,951
<b>Surplus/(deficit) after imposition of general rates</b>	21(b)	1,864,842	0	1,453,676

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



**SHIRE OF NANNUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

## **1. 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) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads* paragraph 15 and *AASB 116 Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has 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 Shire 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 23 to these financial statements.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,334,182	601,464	1,301,729
Law, order, public safety	191,114	238,690	224,281
Education and welfare	28,324	15,000	35,910
Housing	0	0	348,330
Recreation and culture	1,500	0	0
Transport	109,337	62,284	64,291
	1,664,458	917,438	1,974,541
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	508,845	0	72,710
Education and welfare	199,140	0	0
Recreation and culture	15,000	50,000	0
Transport	433,922	438,000	1,172,665
Economic services	0	0	138,850
	1,156,907	488,000	1,384,225
<b>Total grants, subsidies and contributions</b>	<b>2,821,365</b>	<b>1,405,438</b>	<b>3,358,766</b>

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)  
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 19. 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.



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 2. REVENUE AND EXPENSES

### (a) Revenue (Continued)

#### Other revenue

Reimbursements and recoveries  
Other

#### Fees and Charges

General purpose funding  
Law, order, public safety  
Health  
Education and welfare  
Housing  
Community amenities  
Recreation and culture  
Transport  
Economic services  
Other property and services

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

#### Interest earnings

Loans receivable - clubs/institutions  
Reserve accounts interest  
Rates instalment and penalty interest. (refer Note 20(b))  
Other interest earnings

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	110,774	31,156	1,188
Other	157,659	0	413,713
	268,433	31,156	414,901
Fees and Charges			
General purpose funding	38,854	47,500	43,567
Law, order, public safety	8,885	7,100	9,032
Health	21,559	12,975	18,584
Education and welfare	14,550	12,319	13,881
Housing	16,000	20,800	9,970
Community amenities	288,106	265,000	255,586
Recreation and culture	13,908	10,780	17,952
Transport	136	0	595
Economic services	31,479	24,730	34,217
Other property and services	10,143	20,000	10,498
	443,620	421,204	413,862
Interest earnings			
Loans receivable - clubs/institutions	10,892	9,868	3,661
Reserve accounts interest	51,655	16,000	26,704
Rates instalment and penalty interest. (refer Note 20(b))	16,953	16,000	19,620
Other interest earnings	31,097	0	28,246
	110,597	41,868	78,231

#### SIGNIFICANT ACCOUNTING POLICIES

##### Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

##### Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

Auditors Fees

Interest expenses (finance costs)

Borrowings (refer Note 13(b))

Rental charges

- Operating leases

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Auditors Fees	8,060	42,100	11,293
	8,060	42,100	11,293
Borrowings (refer Note 13(b))	10,892	9,868	3,423
	10,892	9,868	3,423
Rental charges			
- Operating leases	39,517	46,320	12,996
	39,517	46,320	12,996

## SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		4,192,064	3,826,280
		4,192,064	3,826,280
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		1,349,946	1,083,035
- Restricted cash and cash equivalents		2,842,118	2,743,245
		4,192,064	3,826,280
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Leave reserve	4	182,932	188,704
Gravel pit reserve	4	122,000	80,000
Plant machinery reserve	4	424,340	419,519
Recreation centre reserve	4	560	544
Office equipment reserve	4	97,549	75,458
Asset management reserve	4	735,772	633,231
Infrastructure reserve	4	155,000	75,000
Main street reserve	4	59	57
Emergency management reserve	4	57,792	56,234
Aged housing reserve	4	381,099	370,827
Landfill reserve	4	116,343	93,746
Community bus reserve	4	25,051	24,376
Strategic initiative reserve	4	308,000	0
Youth reserve	4	16,250	0
		2,622,747	2,017,695
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	19	169,393	725,551
Bonds, deposits and collections	12	49,978	0
<b>Total restricted cash and cash equivalents</b>		2,842,118	2,743,245

## SIGNIFICANT ACCOUNTING POLICIES

## 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 with original maturities of three months or less that are readily convertible to known amounts of cash

## Cash and cash equivalents (Continued)

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.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	188,703	5,233	(11,004)	182,932	188,642	0	0	188,642	188,371	28,363	(28,031)	188,703
(b) Gravel pit reserve	80,000	142,000	(100,000)	122,000	80,000	0	0	80,000	60,000	20,000	0	80,000
(c) Plant machinery reserve	419,519	131,621	(126,800)	424,340	269,319	0	(138,000)	131,319	408,229	157,288	(145,998)	419,519
(d) Recreation centre reserve	544	16	0	560	544	0	0	544	535	9	0	544
(e) Office equipment reserve	75,458	22,091	0	97,549	80,919	0	(18,000)	62,919	72,166	16,288	(12,996)	75,458
(f) Asset management reserve	633,231	102,541	0	735,772	633,188	0	(100,000)	533,188	550,975	98,836	(16,580)	633,231
(g) Infrastructure reserve	75,000	80,000	0	155,000	75,000	30,000	(37,500)	67,500	50,000	25,000	0	75,000
(h) Main street reserve	57	308,000	(307,998)	59	0	0	0	0	116,423	2,077	(118,443)	57
(i) Emergency management reserve	56,234	1,558	0	57,792	0	0	0	0	55,248	986	0	56,234
(j) Aged housing reserve	370,827	10,272	0	381,099	56,207	0	0	56,207	22,103	348,724	0	370,827
(k) Landfill reserve	93,746	22,597	0	116,343	370,817	0	0	370,817	72,452	21,294	0	93,746
(l) Community bus reserve	24,376	22,597	(21,922)	25,051	93,710	0	0	93,710	9,244	15,132	0	24,376
(m) Strategic initiative reserve	0	308,000	0	308,000	23,859	5,000	0	28,859	0	0	0	0
(n) Youth reserve	0	16,250	0	16,250	0	0	0	0	0	0	0	0
	2,017,695	1,172,776	(567,724)	2,622,747	1,872,205	35,000	(293,500)	1,613,705	1,605,746	733,997	(322,048)	2,017,695

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.

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

Name of Reserve	Anticipated Date of Use	Purpose of the reserve
(a) Leave reserve	2028	An accounting requirement to fund leave accumulated by employees
(b) Gravel pit reserve	2028	To be used for the rehabilitation of the gravel pit at the end of its useful life
(c) Plant machinery reserve	2028	To be used for the purchase of plant assets
(d) Recreation centre reserve	2020	To be used for the capital upgrades to the Recreation Precinct
(e) Office equipment reserve	2028	To be used to ensure that the equipment required by Council Administration and supporting computer systems are maintained
(f) Asset management reserve	2028	To provide funding for works to Councils buildings as determined by the Asset Management Plan
(g) Infrastructure reserve	2028	To provide support to future budgets to minimise the impact of the loss of capital grants as and when required
(h) Main street reserve	2020	To be used to support the Main Street upgrade project
(i) Emergency management reserve	2028	To provide funding for costs associated with local emergencies, where the costs cannot be recovered from another party
(j) Aged housing reserve	2028	To be used to facilitate the development of Aged Housing within the Shire of Nannup
(k) Landfill reserve	2023	To provide funding for the rehabilitation of the refuse disposal site once it reaches the end of useful life
(l) Community bus reserve	2023	To be used to cover future capital upgrades
(m) Strategic initiative reserve	2028	To fund Strategic Projects identified by Council not included within original budgets
(n) Youth reserve	2028	To be used for future Youth Asset Purchases



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 5. TRADE RECEIVABLES

### Current

Rates receivable
Sundry receivables
GST receivable
Accrued income

### Non-current

Pensioner's rates and ESL deferred
------------------------------------

2019	2018
\$	\$
178,424	147,487
521,370	171,982
34,765	0
2,438	0
736,997	319,469
100,414	84,654
100,414	84,654

## SIGNIFICANT ACCOUNTING POLICIES

### 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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 22.

### Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

### Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 6. INVENTORIES

### Current

Stock on hand  
Gravel Inventory

	2019	2018
	\$	\$
	6,240	6,240
	139,783	0
	146,023	6,240
	6,240	6,240
	187,292	101,823
	(47,509)	(101,823)
	146,023	6,240

The following movements in inventories occurred during the year:

### Carrying amount at 1 July

Additions to inventory  
Inventory expenses during the year

### Carrying amount at 30 June

## SIGNIFICANT ACCOUNTING POLICIES

### 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.

Gravel Inventory was taken up for the first time within this financial year. Valuation used was based on actual crushing costs and raw material.

## 7. OTHER FINANCIAL ASSETS

## SIGNIFICANT ACCOUNTING POLICIES

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- The Shire classifies the following financial assets at fair value through profit and loss:

- Information regarding impairment and exposure to risk can be found at Note 22.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT

(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.

	Land - freehold land	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	2,120,000	2,120,000	9,733,992	9,733,992	11,853,992	33,125	2,071,159	13,958,276
Additions	0	0	54,911	54,911	54,911	0	333,484	388,395
(Disposals)	0	0	0	0	0	0	(138,011)	(138,011)
Revaluation increments / (decrements) transferred to revaluation surplus	(355,000)	(355,000)	(1,354,782)	(1,354,782)	(1,709,782)	0	0	(1,709,782)
Depreciation (expense)	0	0	(33,899)	(33,899)	(33,899)	(2,659)	(126,053)	(162,611)
Carrying amount at 30 June 2018	1,765,000	1,765,000	8,400,222	8,400,222	10,165,222	30,466	2,140,579	12,336,267
Comprises:								
Gross carrying amount at 30 June 2018	1,765,000	1,765,000	8,434,121	8,434,121	10,199,121	37,719	2,436,994	12,673,834
Accumulated depreciation at 30 June 2018	0	0	(33,899)	(33,899)	(33,899)	(7,253)	(296,415)	(337,566)
Carrying amount at 30 June 2018	1,765,000	1,765,000	8,400,222	8,400,222	10,165,222	30,466	2,140,579	12,336,267
Additions	0	0	148,519	148,519	148,519	0	253,706	402,225
(Disposals)	0	0	0	0	0	0	(96,574)	(96,574)
(Asset Accounting Change - Regulations)	0	0	(9,180)	(9,180)	(9,180)	(24,508)	(20,723)	(54,411)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	472,474	472,474
Depreciation (expense)	0	0	(35,928)	(35,928)	(35,928)		(201,840)	(237,768)
Carrying amount at 30 June 2019	1,765,000	1,765,000	8,503,633	8,503,633	10,268,633	5,958	2,548,623	12,823,214
Comprises:								
Gross carrying amount at 30 June 2019	1,765,000	1,765,000	8,573,330	8,573,330	10,338,330	12,691	2,611,352	12,962,373
Accumulated depreciation at 30 June 2019	0	0	(69,697)	(69,697)	(69,697)	(6,733)	(62,729)	(139,159)
Carrying amount at 30 June 2019	1,765,000	1,765,000	8,503,633	8,503,633	10,268,633	5,958	2,548,623	12,823,214

Furniture & Equipment Note: The majority of items within this class of asset have been moved to a Register of Assets under the \$5,000 threshold in keeping with new accounting policy. Remaining items, while above this threshold, have already had depreciation applied to the minimum written down value of the asset. Based on this no further depreciation has been incurred for this financial period. This class of asset will be reviewed and adjusted as required at the time of the next revaluation of this class. This revaluation is due to occur within the financial year 2021/22. Assets purchased after these statements to a value of \$5,000 and above will be depreciated as per accounting standards.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuer	June 2018	Price per hectare / market borrowing rate
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuer	June 2018	Price per square metre / market borrowing rates
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current conditions (Level 3), residual values and remaining useful life assessments (Level 3) Inputs
<b>Plant and equipment</b>	2	Market approach using recent observable market data for similar assets	Independent Registered Valuer	June 2019	Market price per item

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 9. INFRASTRUCTURE

### (a) 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.

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Infrastructure - bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	70,957,646	1,044,874	8,662,151	100,052	15,328,766	96,093,489
Additions	1,520,958	33,533	0	0	256,001	1,810,492
Depreciation (expense)	(978,506)	(18,480)	(69,527)	(1,596)	(155,368)	(1,223,477)
Carrying amount at 30 June 2018	71,500,098	1,059,927	8,592,624	98,456	15,429,399	96,680,504
Comprises:						
Gross carrying amount at 30 June 2018	73,449,903	1,101,987	8,731,676	107,532	15,767,237	99,158,335
Accumulated depreciation at 30 June 2018	(1,949,805)	(42,060)	(139,052)	(9,076)	(337,838)	(2,477,831)
Carrying amount at 30 June 2018	71,500,098	1,059,927	8,592,624	98,456	15,429,399	96,680,504
Additions	584,542	435	0	15	0	584,992
Depreciation (expense)	(920,567)	(12,198)	(66,362)	(1,598)	(157,928)	(1,158,653)
Carrying amount at 30 June 2019	71,164,073	1,048,164	8,526,262	96,873	15,271,471	96,106,843
Comprises:						
Gross carrying amount at 30 June 2019	74,034,446	1,102,422	8,731,676	107,547	15,767,237	99,743,328
Accumulated depreciation at 30 June 2019	(2,870,373)	(54,258)	(205,414)	(10,674)	(495,766)	(3,636,485)
Carrying amount at 30 June 2019	71,164,073	1,048,164	8,526,262	96,873	15,271,471	96,106,843



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessment inputs
Infrastructure - bridges	3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessment inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**SHIRE OF NANNUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)**

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

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

**Initial recognition and measurement between mandatory revaluation dates**

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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 Shire 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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

**Revaluation**

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

**Land under control**

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire 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.

**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 Shire.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	95,574	71,364	1,364	(25,574)	249,944	131,818	0	(118,126)	138,011	175,475	42,474	(5,010)
	95,574	71,364	1,364	(25,574)	249,944	131,818	0	(118,126)	138,011	175,475	42,474	(5,010)

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Governance	15,000	16,364	1,364	0
Transport	80,574	55,000	0	(25,574)
	95,574	71,364	1,364	(25,574)

The following assets were disposed of during the year:

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
<b>Governance</b>				
Hyundai Sonata	15,000	16,364	1,364	0
Governance Total	15,000	16,364	1,364	0
<b>Transport</b>				
Volvo Backhoe Loader	80,574	55,000	0	(25,574)
Transport Total	80,574	55,000	0	(25,574)
	95,574	71,364	1,364	(25,574)

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2018 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	35,928	60,680	33,899
Furniture and equipment	0	2,600	2,659
Plant and equipment	201,840	135,000	126,053
Infrastructure - roads	920,567	468,000	978,506
Infrastructure - footpaths	12,198	0	18,480
Infrastructure - drainage	66,362	0	69,527
Infrastructure - parks and ovals	1,598	0	1,596
Infrastructure - bridges	157,928	155,000	155,368
	1,396,421	821,280	1,386,087

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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.

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	20 - 100 years
Furniture and Equipment	4 - 20 years
Plant & Equipment	5 - 20 years
Sealed Roads	
- formation	not depreciated
- pavement	80 years
- seal	
- bituminous seals	34 years
- asphalt surfaces	43 years
Gravel Roads	
- formation	not depreciated
- pavement	80 years
Formed Roads	
- formation	not depreciated
- pavement	80 years
Footpaths - slabs	50 - 90 years
Kerbs	100 years
Parks & Gardens	50 - 75 years
Water Supply Piping and Drainage Systems	75 - 130 years
Bridges	90 - 110 years

Depreciation (Continued)

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:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	0	0	0	0	355,000	(355,000)	(355,000)	0
Revaluation surplus - Buildings - non-specialised	4,812,147	0	0	4,812,147	6,166,929	(1,354,782)	(1,354,782)	4,812,147
Revaluation surplus - Furniture and equipment	163	0	0	163	163	0	0	163
Revaluation surplus - Plant and equipment	0	472,474	472,474	472,474	0	0	0	0
Revaluation surplus - Infrastructure - roads	50,190,704	0	0	50,190,704	50,190,704	0	0	50,190,704
Revaluation surplus - Infrastructure - footpaths	794,838	0	0	794,838	794,838	0	0	794,838
Revaluation surplus - Infrastructure - drainage	6,776,704	0	0	6,776,704	6,776,704	0	0	6,776,704
Revaluation surplus - Infrastructure - bridges	15,441,245	0	0	15,441,245	15,441,245	0	0	15,441,245
	78,015,801	472,474	472,474	78,488,275	79,725,583	(1,709,782)	(1,709,782)	78,015,801

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.



## SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 12 TRADE AND OTHER PAYABLES

## Current

Sundry creditors

Accrued interest

Accrued salaries and wages

## ATO liabilities

- PAYG Tax Withheld

- GST Payable

- Withholding Tax

## Restricted Assets

- Bonds

- Deposits &amp; collections

Youth Advisory Council - Restricted Funds

Rates Received in Advance

	2019	2018
	\$	\$
Sundry creditors	72,622	366,220
Accrued interest	234	398
Accrued salaries and wages	40,812	36,712
ATO liabilities		
- PAYG Tax Withheld	32,333	0
- GST Payable	12,792	0
- Withholding Tax	80	0
Restricted Assets		
- Bonds	49,978	0
- Deposits & collections	4,324	19,324
Youth Advisory Council - Restricted Funds	16,250	16,250
Rates Received in Advance	14,124	0
	243,549	438,903

## SIGNIFICANT ACCOUNTING POLICIES

## Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

## Trade and other payables (Continued)

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 NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS

(a) Borrowings

	2019	2018
	\$	\$
Current	49,797	17,429
Non-current	307,956	33,132
	357,753	50,561

(b) Repayments - Borrowings

			30 June 2019						30 June 2019						30 June 2019					
Particulars	Loan Number	Institution	Interest Rate	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual			
				Principal	New	Principal	Interest	Principal	Principal	New	Principal	Interest	Principal	Principal	Principal	Principal	Principal	Principal		
				1 July 2018	Loans	repayments	repayments	repayments	1 July 2018	Loans	repayments	repayments	repayments	1 July 2017	repayments	repayments	repayments	repayments		
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Self Supporting Loans																				
Community amenities																				
SSL 37 NANNUP COMMUNITY RESOURCE CENTRE	37	WATC	6.01	50,561	0	17,429	2,647	33,132	50,516	0	17,429	2,647	38,507	66,976	16,415	3,423	50,561			
SSL 39 NANNUP MUSIC CLUB	39	WATC	2.96	0	350,000	25,379	8,245	324,621	0	350,000	25,557	7,221	324,043	0	0	0	0			
				50,561	350,000	42,808	10,892	357,753	50,516	350,000	43,386	9,868	360,550	66,976	16,415	3,423	50,561			
				50,561	350,000	42,808	10,892	357,753	50,516	350,000	43,386	9,868	360,550	66,976	16,415	3,423	50,561			

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.  
All other loan repayments were financed by general purpose revenue.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

13. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Loan 39 - Self Supporting	WATC*	SSL	10	2.96%	\$ 350,000	\$ 350,000	\$ (350,000)	\$ (350,000)	\$ (7,521)	\$ 0
* WA Treasury Corporation					350,000	350,000	(350,000)	(350,000)	(7,521)	0

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit

Total amount of credit unused

	2019	2018
	\$	\$
Credit card limit	5,000	5,000
Total amount of credit unused	5,000	5,000

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

	49,797	17,429
	307,956	33,132
Total facilities in use at balance date	357,753	50,561

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

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

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.

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.

Risk

Information regarding exposure to risk can be found at Note 22.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

#### 14. EMPLOYEE RELATED PROVISIONS

##### Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	241,716	122,864	364,580
Non-current provisions	0	51,034	51,034
	241,716	173,898	415,614
Additional provision	14,374	17,373	31,747
Balance at 30 June 2019	256,090	191,271	447,361
Comprises			
Current	256,090	133,851	389,941
Non-current	0	57,420	57,420
	256,090	191,271	447,361

##### Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date  
More than 12 months from reporting date  
Expected reimbursements from other WA local governments

	Leave	
	2019	2018
	\$	\$
Less than 12 months after the reporting date	389,941	191,656
More than 12 months from reporting date	53,659	223,958
Expected reimbursements from other WA local governments	3,761	0
	447,361	415,614

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Employee benefits

##### Short-term employee benefits

Provision is made for the Shire'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 Shire'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.

##### Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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 of service and employee departures and are discounted at

Other long-term employee benefits (Continued) 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 Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire 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.

##### Provisions

Provisions are recognised when the Shire 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.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 15. NOTES TO THE STATEMENT OF CASH FLOWS

### 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:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	4,192,064	2,552,673	3,826,280
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	560,792	(1,303,691)	1,087,546
Non-cash flows in Net result:			
Write off of assets under \$5,000	54,411	0	26,704
Adjustment to fair value of financial assets	(17,517)	0	0
Depreciation	1,396,421	821,280	1,386,087
(Profit)/loss on sale of asset	24,210	118,126	(37,464)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(433,288)	0	(217,832)
(Increase)/decrease in inventories	(139,783)	0	0
Increase/(decrease) in payables	(195,354)	0	345,793
Increase/(decrease) in provisions	31,747	0	(24,176)
Grants contributions for the development of assets	(1,156,907)	(488,000)	(1,384,225)
Net cash from operating activities	124,729	(852,285)	1,182,434



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

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

	2019	2018
	\$	\$
Governance	2,241,265	2,121,218
General purpose funding	5,550,766	4,051,991
Law, order, public safety	1,523,664	1,329,219
Education and welfare	447,390	448,072
Housing	1,061,845	1,065,315
Community amenities	522,894	660,519
Recreation and culture	4,752,720	4,068,347
Transport	97,790,192	98,982,434
Economic services	590,089	576,860
	<b>114,480,825</b>	<b>113,303,975</b>

## SHIRE OF NANNUP

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## FOR THE YEAR ENDED 30TH JUNE 2019

**17. CONTINGENT LIABILITIES**

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the Department of Environmental Regulation on the need and criteria for remediation on a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of this site. This approach is consistent with the Department of Environmental Regulation Guidelines.

Reserve Number: 38737 - Lot 13219 on Deposited Plan 214941 - Beggars Road, Nannup

## SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**17 LEASING COMMITMENTS****(a) Operating Lease Commitments**

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

## Payable:

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

2019	2018
\$	\$
20,458	21,912
56,404	79,211
<b>76,862</b>	<b>101,123</b>

**SIGNIFICANT ACCOUNTING POLICIES****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 Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of 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.

**Leases (Continued)**

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 on a straight line basis over the lease term.

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

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 18. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	13,933	17,000	14,586
President's allowance	8,000	8,000	8,000
Deputy President's allowance	2,000	2,000	2,000
Travelling expenses	880	3,000	6,419
Dashboard Annual Subscription	0	4,600	0
Telecommunications allowance	5,862	8,800	10,246
Conference and Training Expenses	5,265	6,000	7,024
	35,940	49,400	48,275

### Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Shire during the year are as follows:

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	385,611	411,459
Post-employment benefits	50,916	50,089
Other long-term benefits	42,699	43,276
Termination benefits	0	30,499
	479,226	535,323

#### Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

#### Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

#### Other long-term benefits

These amounts represent annual and long service benefits accruing during the year.

#### Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

## SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019**18. RELATED PARTY TRANSACTIONS (Continued)****Transactions with related parties**

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

	2019 Actual	2018 Actual
	\$	\$
Purchase of goods and services from KMP	289	5,644
Lease Income - Companies	0	5,030
Amounts paid to related parties	114,732	116,294

The Shire's main related parties are as follows:

*i. Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

*ii. Other Related Parties*

Close family members of KMP employed by the Shire under normal employment terms and conditions.

*iii. Entities subject to significant influence by the Shire*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.



## SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/17	Received <sup>(2)</sup> 2017/18	Expended <sup>(3)</sup> 2017/18	Closing Balance <sup>(1)</sup> 30/06/18	Received <sup>(2)</sup> 2018/19	Expended <sup>(3)</sup> 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>General purpose funding</b>							
Old Railway Bridge Grant	17,525	0	(17,525)	0			0
General Equalisation Grant	476,923	824,568	(867,414)	434,077		(434,077)	0
Roads Grants	255,634	477,161	(470,461)	262,334		(262,334)	0
<b>Law, order, public safety</b>							
Bushfire Operating Grant 16/17	16,689	114,185	(130,874)	0			0
SES Operating Grant	4,215	17,682	(21,897)	0			0
Bushfire Management Plan	19,140	0	0	19,140			19,140
CESM Operating Grant	0	92,414	(92,414)	0	58,494	(58,494)	0
Capital Grant - North Nannup Shed	27		(27)	0			0
Bushfire Operating Grant 18/19	0			0	133,102	(133,102)	0
Bushfire Mitigation Works	0			0	458,397	(449,256)	9,141
SES Operating Grant 18/19**	0			0	18,659	(26,547)	(7,888)
<b>Education and welfare</b>							
Kidsport	10,796	0	(10,796)	0			0
Home Maintenance Grant	17,486	0	(17,486)	0			0
Y Culture	3,000		(3,000)	0			0
Crime Prevention	25,000		(25,000)	0			0
Lotterywest	26,000		(26,000)	0			0
Women on Fire Grant	0	4,910	(4,910)	0			0
Dept. Local Government - Active Healthy Living	0	10,000	0	10,000		(10,000)	0
Healthways	0	3,000	(3,000)	0			0
Youth Week Grants	0	2,000	(2,000)	0			0
South West Catchment Council	0	1,000	(1,000)				0
Local Drug Action Group	0	0	0		4,144	(4,144)	0
Family Fun Day	0	0	0		13,632	(13,632)	0
Community Development Grants	0	0	0		163,692	(14,692)	149,000
<b>Recreation and culture</b>							
LotteryWest	0			0	15,000	(15,000)	0
Good Things Foundation	0			0	1,500	(1,500)	0
<b>Transport</b>							
Main Roads Direct Grants	0	64,291	(64,291)	0			0
Roads to Recovery Grant	0			0	208,972	(208,972)	0
MRD Grants - Capital Projects	0			0	109,337	(109,337)	0
Regional Road Groups	0			0	210,000	(210,000)	0
<b>Total</b>	<b>872,435</b>	<b>1,611,211</b>	<b>(1,758,095)</b>	<b>725,551</b>	<b>1,394,929</b>	<b>(1,951,087)</b>	<b>169,393</b>
				<b>Total Tied Grant Funding Carried Forward</b>			<b>169,393</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 as revenue 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 revenue 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.

(4) - \*\* The negative grant income shown above refers to the overpend within this area that has been sent through to grantees for consideration of the additional cost to be covered via the grant funding.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 20. RATING INFORMATION

### (a) Rates

#### RATE TYPE

Differential general rate / general rate

#### Gross rental valuations

	Rate in \$	Number of Properties	2018/19 Actual Ratesable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Residential	0.086979	172	3,646,293	317,152	6,625	323,777	315,794	315,794	249,973
Comm/Industrial	0.086979	10	293,500	25,528		25,528	25,528	25,528	13,623
Special Rural	0.086979	198	2,480,428	215,745		215,745	214,637	214,637	215,947
Rural Tourism	0.086979	39	401,856	34,954	0	34,954	34,953	34,953	66,845

#### Unimproved valuations

Rural	0.004534	207	128,809,985	584,023	(47,852)	536,171	584,392	536,540	510,363
Mining	0.004534	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		626	135,632,062	1,177,401	(41,227)	1,136,175	1,175,304	1,127,452	1,056,751

#### Minimum payment

#### Gross rental valuations

Residential	928	232	1,519,863	215,296	0	215,296	216,224	216,224	165,300
Comm/Industrial	928	0	0	0	0	0	0	0	870
Special Rural	928	87	554,098	80,736	0	80,736	80,736	80,736	88,740
Rural Tourism	928	0	0	0	0	0	0	0	14,790

#### Unimproved valuations

Rural	1,118	185	25,031,015	206,830	0	206,830	205,712	205,711	199,500
Mining	1,118	16	308,756	17,888	0	17,888	17,888	17,888	21,000
<b>Sub-Total</b>		520	27,413,732	520,750	0	520,750	520,560	520,559	490,200

#### Total amount raised from general rate

Concessions (refer Note 20(b))

Ex-gratia rates

Totals

	Rate in \$	Number of Properties	2018/19 Actual Ratesable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
<b>Gross rental valuations</b>									
Residential	0.086979	172	3,646,293	317,152	6,625	323,777	315,794	315,794	249,973
Comm/Industrial	0.086979	10	293,500	25,528		25,528	25,528	25,528	13,623
Special Rural	0.086979	198	2,480,428	215,745		215,745	214,637	214,637	215,947
Rural Tourism	0.086979	39	401,856	34,954	0	34,954	34,953	34,953	66,845
<b>Unimproved valuations</b>									
Rural	0.004534	207	128,809,985	584,023	(47,852)	536,171	584,392	536,540	510,363
Mining	0.004534	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		626	135,632,062	1,177,401	(41,227)	1,136,175	1,175,304	1,127,452	1,056,751
<b>Minimum payment</b>									
<b>Gross rental valuations</b>									
Residential	928	232	1,519,863	215,296	0	215,296	216,224	216,224	165,300
Comm/Industrial	928	0	0	0	0	0	0	0	870
Special Rural	928	87	554,098	80,736	0	80,736	80,736	80,736	88,740
Rural Tourism	928	0	0	0	0	0	0	0	14,790
<b>Unimproved valuations</b>									
Rural	1,118	185	25,031,015	206,830	0	206,830	205,712	205,711	199,500
Mining	1,118	16	308,756	17,888	0	17,888	17,888	17,888	21,000
<b>Sub-Total</b>		520	27,413,732	520,750	0	520,750	520,560	520,559	490,200
<b>Total amount raised from general rate</b>		1,146	163,045,794	1,698,151	(41,227)	1,656,925	1,695,864	1,648,012	1,546,951
<b>Concessions (refer Note 20(b))</b>						1,656,925		1,648,012	1,546,951
<b>Ex-gratia rates</b>						0		0	0
<b>Totals</b>						47,852		47,852	44,928
<b>Totals</b>						1,704,777		1,695,864	1,591,879

#### SIGNIFICANT ACCOUNTING POLICIES

##### Rates

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

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 20. RATING INFORMATION (Continued)

### (b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>				
	17/08/18	0.00	0.00%	11.00%
<b>Option Two</b>				
	17/08/18	0.00	5.50%	11.00%
	19/10/18	5.00	5.50%	11.00%
	19/12/18	5.00	5.50%	11.00%
	19/02/19	5.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	12,025	11,000	14,453
Interest on instalment plan	4,928	4,500	4,716
Charges on instalment plan	3,450	3,500	3,560
Deferred Pensioner Interest	0	500	451
	20,403	19,500	23,180

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

21. RATE SETTING STATEMENT INFORMATION

(a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

Adjustments to operating activities

Note	2018/19 (30 June 2019 Carried Forward) \$	2018/19 Budget (30 June 2019 Carried Forward) \$	2018/19 (1 July 2018 Brought Forward) \$
10(a)	(1,364)	0	(42,474)
12	(49,978)	0	0
	(15,760)	0	(15,487)
	6,386	0	3,852
10(a)	25,574	118,126	5,011
10(b)	1,396,421	821,280	1,386,087
	1,361,279	939,406	1,336,989

(b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - restricted cash	4	(2,622,747)	(1,613,705)	(2,017,696)
Less: Financial assets at amortised cost - self supporting loans	7(a)	(49,797)	(43,386)	(17,429)
Less: Carry Forward Grant Funding	19	(169,393)	(730,411)	0
Less: Local Government House Trust - Units Brought into Account	7	(17,517)	0	0
Add: Borrowings	13(a)	49,797	43,386	17,429
Add: Long Service Leave Provision not expected to be cleared at end of year		182,932	112,361	122,864
Total adjustments to net current assets		(2,626,728)	(2,231,755)	(1,894,832)

Net current assets used in the Rate Setting Statement

Total current assets	5,124,881	2,761,358	4,169,418
Less: Total current liabilities	(633,309)	(529,603)	(820,912)
Less: Total adjustments to net current assets	(2,626,728)	(2,231,755)	(1,894,832)
Net current assets used in the Rate Setting Statement	1,864,842	0	1,453,676



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 22. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Shire 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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	0.122%	4,192,064	0	4,192,064	0
<b>2018</b>					
Cash and cash equivalents	0.196%	3,826,280		3,826,280	0

#### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

Impact of a 1% movement in interest rates on profit and loss and equity\*

\* Holding all other variables constant

	2019	2018
	\$	\$
	4,192	3,826

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs.

The Shire 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 Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 22. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire 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 the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire 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.

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Gross carrying amount	116,431	37,054	24,660	279	178,424
<b>01 July 2018</b>					
Rates receivable					
Gross carrying amount	80,046	14,011	22,123	31,307	147,487

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.55%	2.37%	7.00%	10.00%	
Gross carrying amount	506,923	2,365	0	12,082	521,370
Loss allowance	2,630	56	0	1,198	3,884
<b>01 July 2018</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	160,373	1,500	2,307	7,802	171,982
Loss allowance	0	0	0	0	0

Historical data to support calculation of Expected Credit Loss for 2018 is not available and the financial risk associated with this is considered immaterial and will have no impact on overall financial statements.

The \$3,884 calculated loss allowance for 2019 is immaterial.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 22. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and 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. The Shire 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 and disclosed in Note 13(d).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	243,549	0	0	243,549	243,549
Borrowings	60,554	176,969	128,180	365,703	357,753
	304,103	176,969	128,180	609,252	601,302
<b>2018</b>					
Payables	438,903	0	0	438,903	438,903
Borrowings	20,076	35,133	0	55,209	50,561
	458,979	35,133	0	494,112	489,464

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

### 23. TRUST FUNDS

From this year, all bonds, deposits and collections not required by legislation to be held in trust are included in the financial statements.

	1 July 2018	Amounts Received	Amounts Paid	Amounts Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Nomination Deposits	0	560	(560)	0	0
Bonds	44,732	44,864	(17,600)	(49,978)	22,018
BRB Levy	0	9,159	(8,399)	0	761
BCITF Levy	0	3,860	(3,700)	0	160
Accrued Expenses	1,466	0	(1,391)	0	75
	46,198	58,443	(31,649)	(49,978)	23,014



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 was assessed as not material and therefore, no adjustment was required to be made.

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

## SHIRE OF NANNUP

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

## FOR THE YEAR ENDED 30TH JUNE 2019

**25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS**

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 Shire.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*.

The Shire is currently assessing the impact of adopting the new standards but believe the adoption of the new standard will not have a material impact on the financial report.



**SHIRE OF NANNUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**26 OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) 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.

**b) Current and non-current classification**

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire 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 or non-current based on the Shire's intentions to release for sale.

**c) Rounding off figures**

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

**d) Comparative figures**

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, 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.

**e) 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.

**f) Superannuation**

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

**g) Fair value of assets and liabilities**

Fair value is the price that the Shire 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 or liability. 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 or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) 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.

**h) Fair value hierarchy**

AASB 113 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 Shire 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 Shire 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.

**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 the service capacity of an asset.

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 Shire 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 are 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.

**i) Impairment of assets**

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised 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 specialised assets that are measured under the revaluation model such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.S1 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
<b>HEALTH</b> To provide an operational framework	Food quality, building, sanitation and sewerage.
<b>EDUCATION AND WELFARE</b> To provide services to disadvantaged persons, the elderly, children and youth.	Provision of youth support, co-ordinate school holiday programs, support education programs.
<b>HOUSING</b> To ensure adequate staff housing.	Maintenance of staff rental housing.
<b>COMMUNITY AMENITIES</b> Provide services required by the community.	Rubbish collection services, operation of waste management facility, noise control, administration of town planning scheme, maintenance of cemetery and maintenance of public conveniences.
<b>RECREATION AND CULTURE</b> To establish and maintain efficient infrastructure and resources which will help the social wellbeing of the community.	Maintenance and provision of halls, recreation centre and various reserves; operation of library services.
<b>TRANSPORT</b> To provide effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges; cleaning of streets, depot maintenance.
<b>ECONOMIC SERVICES</b> To help promote the Shire and improve economic wellbeing.	Assistance to tourism, area promotion, building control, noxious weeds, vermin control.
<b>OTHER PROPERTY AND SERVICES</b> To accurately allocate plant and labour costs across the various programs of Council.	Private works operations, plant repairs and operation costs.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 28. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	4.56	3.26	5.22
Asset consumption ratio	0.61	0.98	0.98
Asset renewal funding ratio	n/a	n/a	n/a
Asset sustainability ratio	0.55	1.08	0.75
Debt service cover ratio	15.11	55.09	69.51
Operating surplus ratio	(0.25)	(0.14)	(0.04)
Own source revenue coverage ratio	0.49	0.44	0.41

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 consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



## Independent Audit Report



### Auditor General

#### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Nannup

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the Shire of Nannup which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Nannup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter – Basis of Accounting**

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

##### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

**Auditor's Responsibility for the Audit of the Financial Report**

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Report on Other Legal and Regulatory Requirements**

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

- (i) In my opinion, the following material matter indicates significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio as reported in Note 28 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:



- a. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long-term financial plan and asset management plan respectively.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

**Other Matter**

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 28 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the Shire of Nannup for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME  
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
11 December 2019