



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



Annual Report 2019-2020



# Table of Contents

Introduction.....	1
Vision Statement.....	1
Mission Statement.....	1
Values.....	1
1. Brief Background on Nannup .....	4
2. Council Structure .....	8
3. Nannup Shire Councillors .....	9
4. Shire President’s Report .....	11
5. Chief Executive Officer’s Report.....	13
6. Shire of Nannup Organisational Structure .....	14
7. Corporate and Community Services Department .....	15
8 Works & Services Department .....	21
9. Statutory Compliance Report .....	24
a) Competitive Neutrality – Business Activities.....	24
b) The Financial Management Review .....	24
c) Audit Regulation 17 Review.....	24
d) Freedom of Information Act 1992 - Information Statement .....	24
e) Public Interest Disclosure .....	24
f) Disability Access and Inclusion Plan .....	25
g) State Records Act 2000 – Record Keeping Plan.....	25
h) Overview of Integrated Planning .....	25
10. Statutory.....	26
a) Employee Remuneration.....	26
b) Complaints under Section 5.121 of the Local Government Act 1995.....	26
11. Shire of Nannup Financial Report .....	27
12. Independent Auditor’s Report .....	77

## Introduction

Council is pleased to present the Annual report for the Shire of Nannup for the financial year ending June 30, 2020. 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 on Adam Street.

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



## 1. Brief Background on Nannup



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 celebrate its diverse community. 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. Every January the Shire of Nannup celebrates the community spirit by hosting the Family Fun Day activities and the annual Australia Day Breakfast. Both events are locally driven and coordinated by the Shire officers. Australia Day 2020 was the first year the Shire Council coordinated the Australia Day Awards through the branding of their own certificates and medals.

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, 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, 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 Nannup Cycle Masterplan. The 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 and Detailed Design for Tank 7 & 8 Mountain Bike Park was commissioned and detailed 38 kilometres of sanctioned tracks around land owned by DBCA and is in the active plantation for Forrest Products Commission.

It was in January 2020 that the Shire of Nannup was notified of its eligibility to apply for \$1m through the Drought Funding Project. The Nannup Shire Council conducted consultation with its community to identify eligible projects to invest in. Over 45 projects were proposed and seven selected for funding. Further funds were released by the Commonwealth through the Local Roads and Infrastructure Fund and supported the execution of projects for the 2020 2021 financial year.

The Shire was also a recipient of the South West Development Commission Regional Economic Development Grant Round Two and in January 2020 was awarded funding to begin construction of the Town to Tank link and installation of cycling infrastructure in and around town. It was through these funds that the Shire was able to install the Biosecurity Wash – down bay for bikers and walkers at Foreshore Park, the first of its kind in Australia and developed locally in Walpole.

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 neighboring 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 farming communities and natural environments that can thrive and 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.



Chief Executive Officer David Taylor, Alannah MacTiernan (Minister for Regional Development) and Economic & Community Development Officer Nicole Botica.

## 2. 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)
- Tourism Committee (8 councillors)

### 3. 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

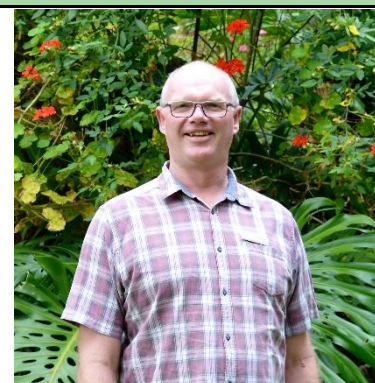
**WARD:** Central

**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)



## 4. 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 2019/2020 financial year.

This financial year the world ground to a halt with the coronavirus outbreak in March 2020, this posed a significant amount of stress to our community with the abnormal levels of uncertainty on the future. I would like to thank everyone for their role they played in getting through that tough period as every individual's involvement in adhering to the restrictions put in place by the Western Australia Government has put us in a world leading position that has enabled us to return to normal life much quicker than the rest of the world.

In relation to the financial year for our community, it started with Council imposing a rate increase of, on-average, 3.8%. While a rate increase is never viewed in a positive light, given the economic climate and the need to be sustainable into the future an increase was necessary. 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.

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.

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 2020 this balance was \$3,065M. 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 16 active reserves including Plant Replacement, Strategic Initiative, Landfill, 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.

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 like to mention and thank the many volunteers in our community. These people are the backbone of small towns. 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.

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.



A handwritten signature in black ink, appearing to read 'A. Dean'.

Tony Dean  
Shire President

## 5. Chief Executive Officer's Report

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. 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.

This year saw business as usual and the completion of many major projects including major road works, Warren Blackwood Bridal Trail, Riverside Trail and smaller grant based community initiatives. A single major project that was completed was the Nannup Cycle Master Planning and Tank 7 and 8 Concept Design and Detail 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 and will become the platform for cycle tourism development into the future.

I would like to acknowledge the staff and all their efforts during the year to deliver the best quality service possible for our Community. In particular, Tracie Bishop, Manager Corporate Services who has taken an advancing career opportunity. Tracie served the Shire of Nannup for 12 years and she will be sorely missed. Susan Fitchat, Corporate Services Co-Coordinator stepped up to the challenge of Acting Manager Corporate Services for a period of 7 months while the coronavirus pandemic caused worldwide disruption and I sincerely thank her for this.

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.



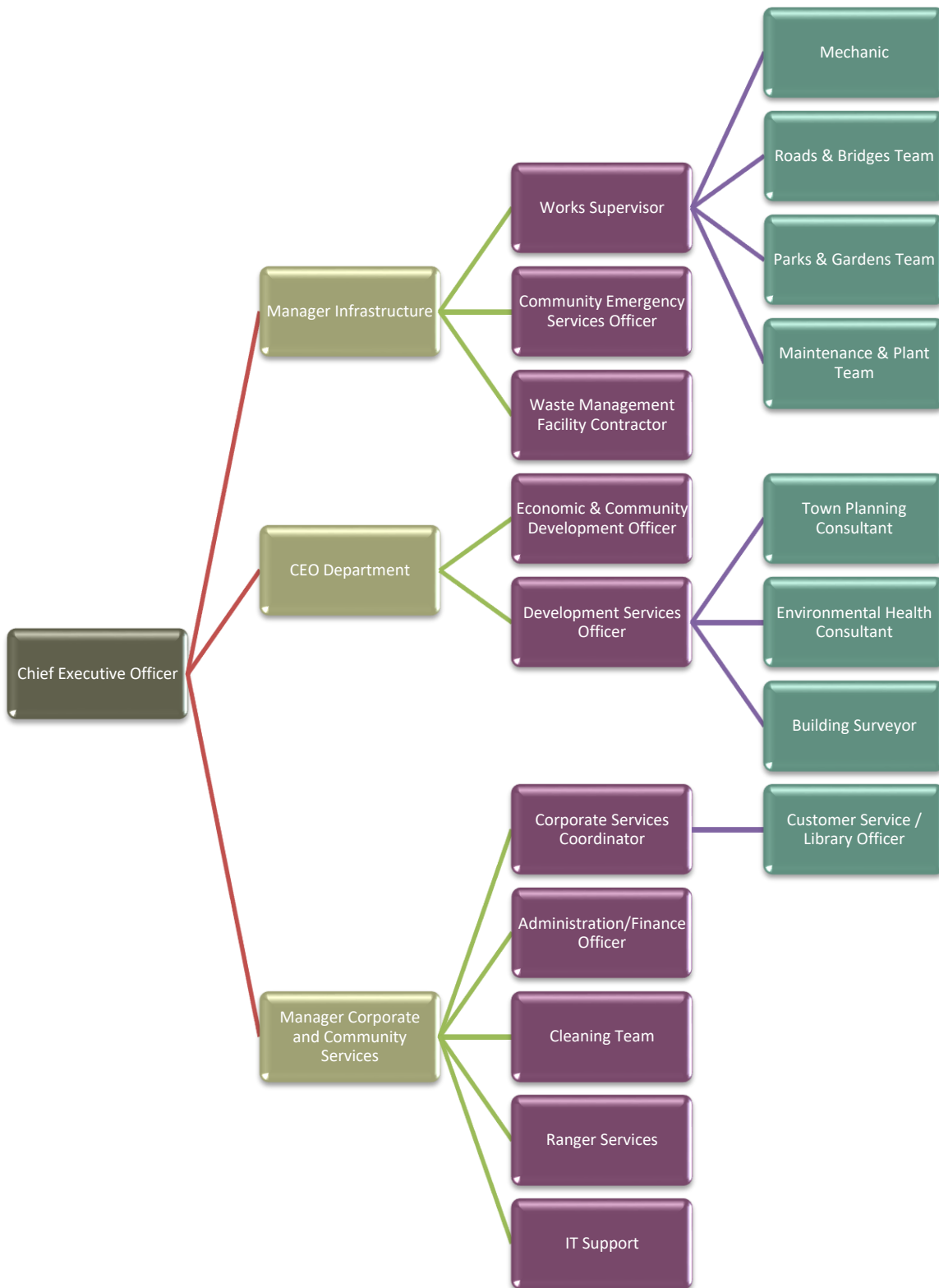
David Taylor  
Chief Executive Officer





## 6. Shire of Nannup Organisational Structure

As at 30 June 2020



## 7. Corporate and Community Services Department

It is with pleasure that I present my report to the Electors in my capacity as Acting Manager of Corporate and Community Services for the Shire of Nannup by providing a brief overview of the financial position of Council as at 30 June 2020.

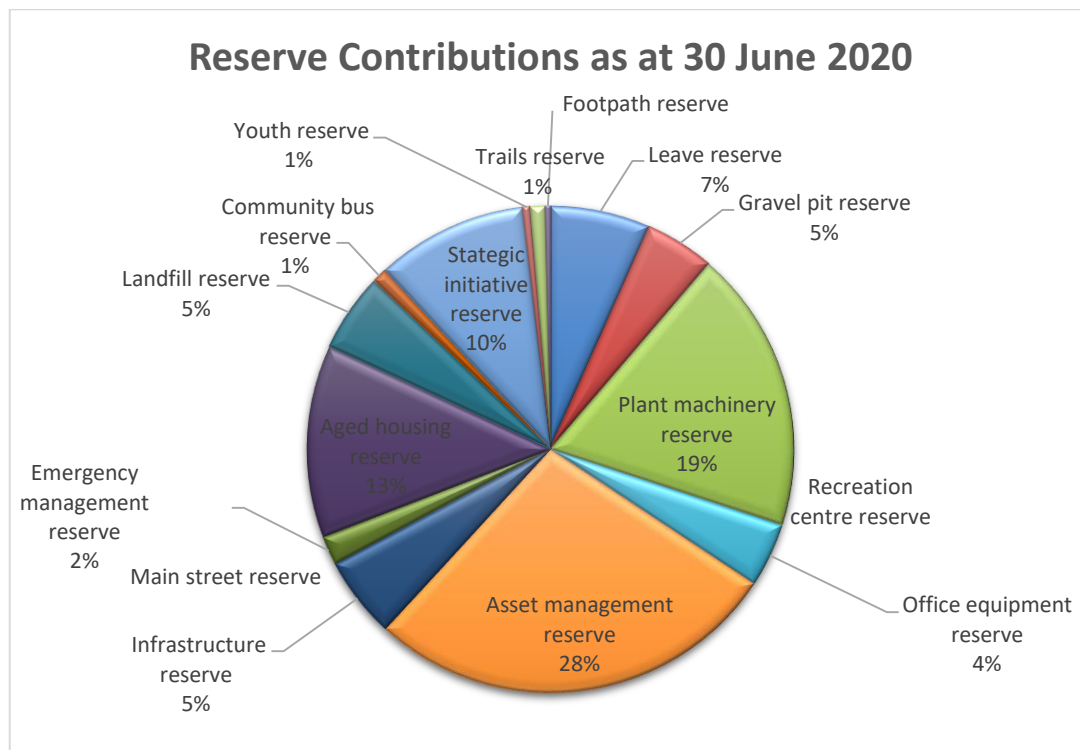
### Financial Summary

Since last financial year the Shire of Nannup has been audited by the Office of the Auditor General (OAG) as per amendments to the Local Government Act 1995 on the 27 October 2017. Council's Financial Statements for the period 1 July 2019 to 30 June 2020 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, 2020 there has been an 17% increase in the overall funds held within the Reserve portfolio since the beginning of this financial year.

As at 30 June 2020, Council held within this Reserve Portfolio \$3,065,456. This is contained within sixteen different reserve accounts. 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.



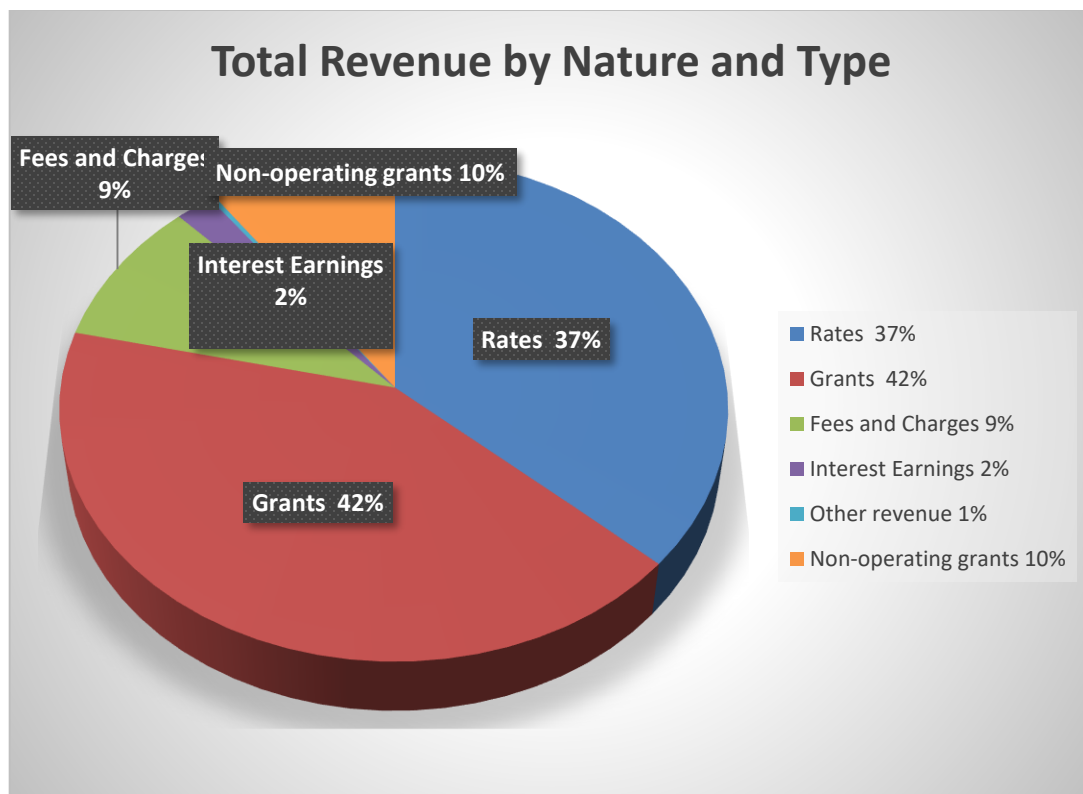
## Revenue

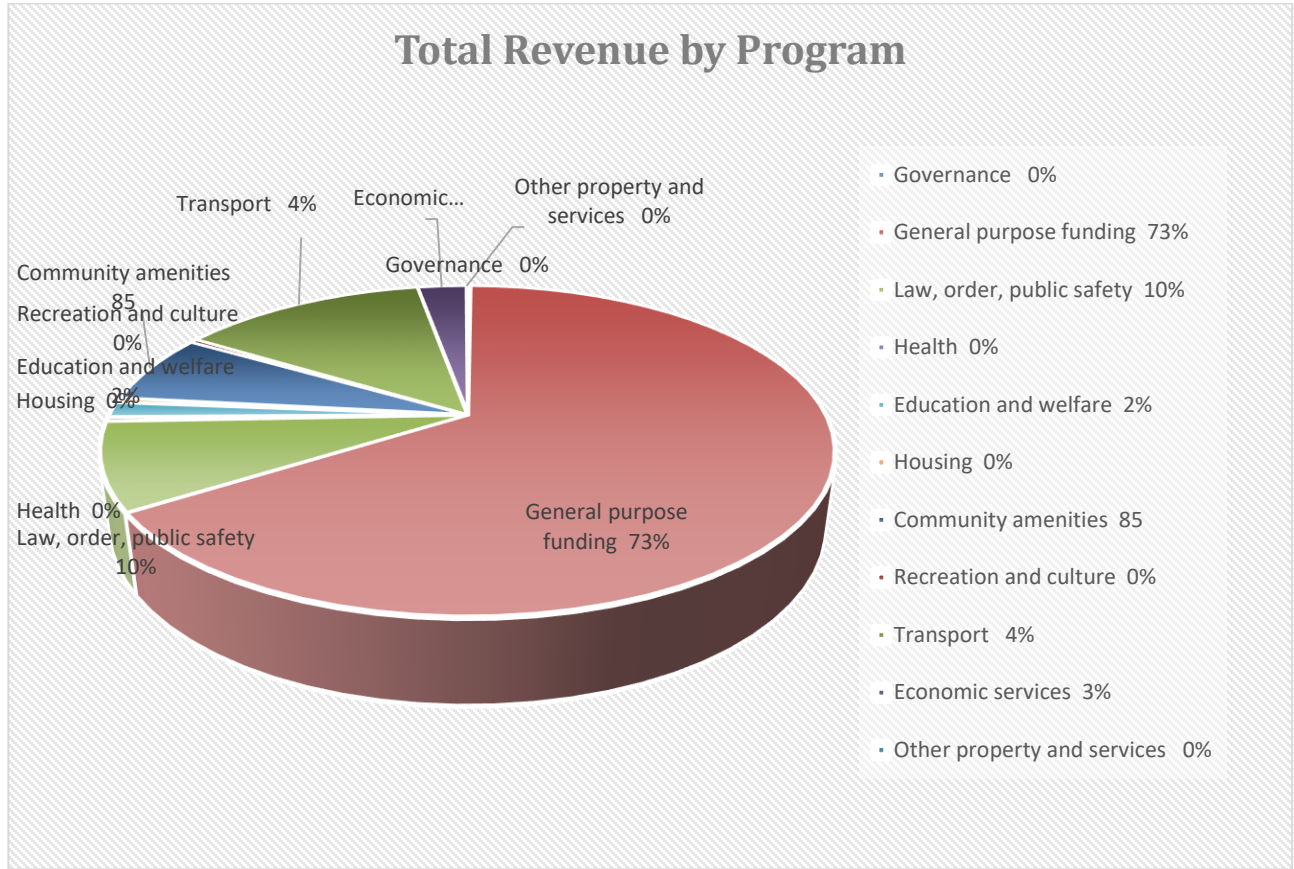
Council is limited in its capacity to raise revenue from its own sources. Revenue is primarily received in the form of grants, rates and fees and charges.

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 Fire and Emergency Services, Primary Industries and Regional Development: Trails grants and ongoing funding support through the Local Drug Action Group 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, Roads to Recovery, Regional Roads Group.

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.

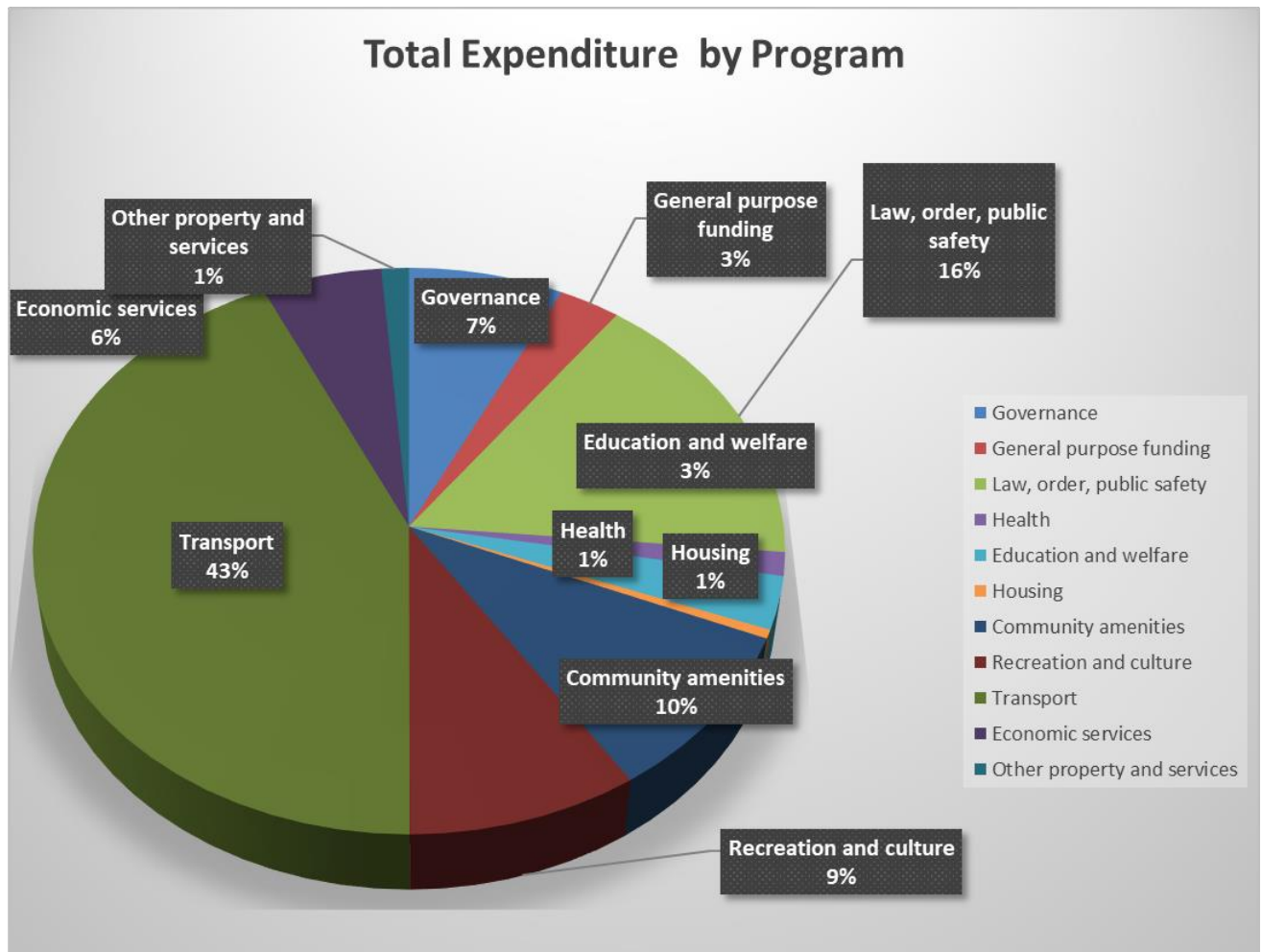
The graph below details the breakdown of the income received for the 2019-20 year by Nature and Type:





Council’s operating expenditure for 2019-20 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 2019-20 this included upgrades to Cundinup South Road, Bridgetown Rd, Fouracres Road and Johnston Road.

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.

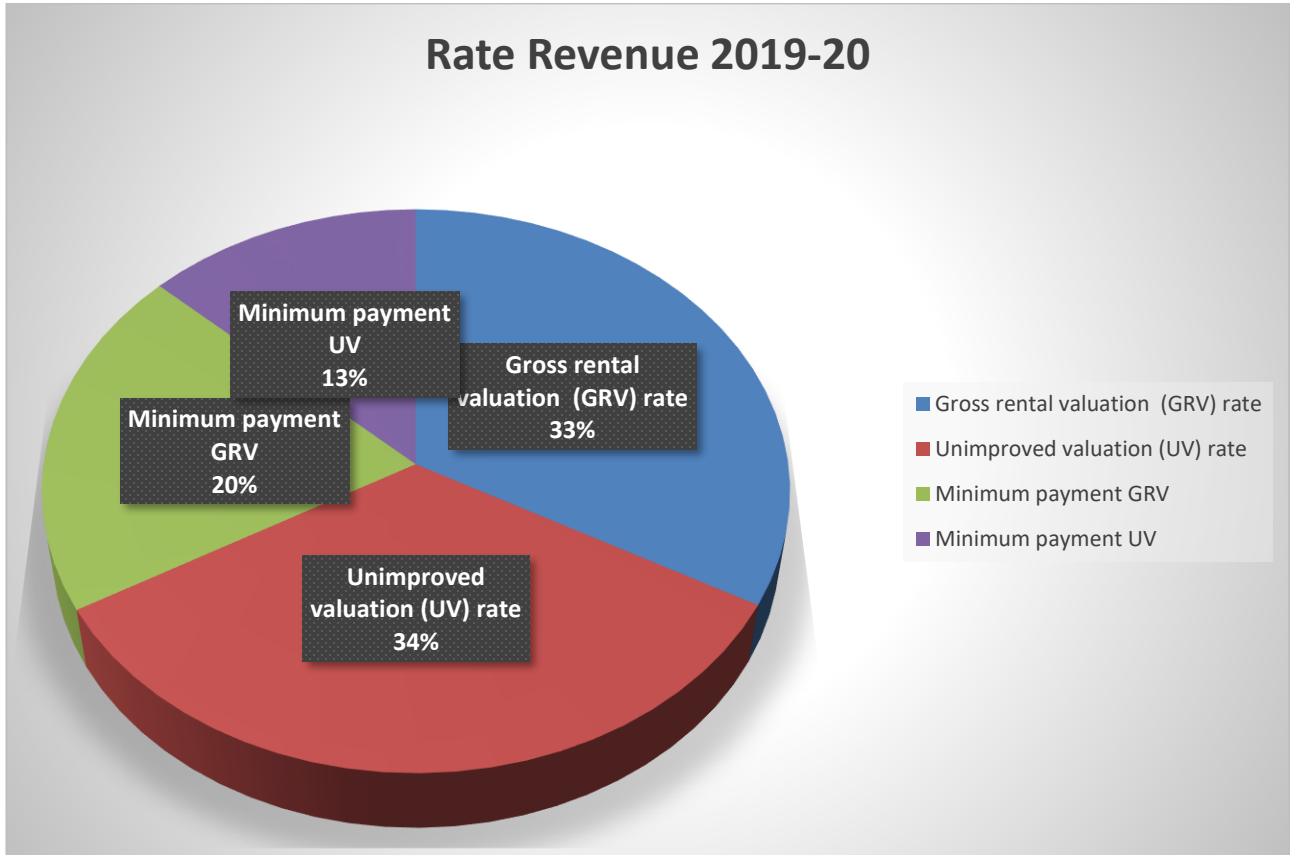
Gross Rental Values are usually applied to properties within town sites as well as Special Rural lots. These properties previously were revalued every three years. However, within this year notification was received that revaluations of this class will now be applied every 5 years. Consequently, there 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 2019-20	
Rating Type	Rate in Dollar Applied
Gross Rental Value – General	\$0.088980
Unimproved Value - General	\$0.004638
Gross Rental Value – Minimum Rated	\$1,013 per property
Unimproved Value – Minimum Rated	\$1,133 per property



Total rate revenue raised for 2019/20 for the Shire of Nannup is \$1,772,136

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.

Susan Fitchat  
Corporate Services Coordinator

## 8 Works & Services Department

The Works and Service Department were kept busy in the 2019/20 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 improvement, footpath upgrade and bridge maintenance projects carried out were:

- Seal correction and shoulder reconstruction on Cundinup South Road and Bridgetown Rd,
- Continued road improvement on Fouracres Road
- Shoulder widening, drainage improvement and preparation in readiness for full width seal on Johnston Road - Jalbarragup
- Preventative Maintenance of Bridges – Balingup Road x 2, East Nannup Road x 1, Longbottom Road x 1, Milyeannup Coast Road x 1, Bridgetown Nannup Road x 1
- Replace failed concrete footpath with pavers outside Pickle & O and A Taste of Nannup

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:

- Re stumping of failed sections under Town Hall
- Construction of the Cemetery Niche Wall.
- Installation of a second Dump Ezy Travelers Effluent Disposal Point.
- 28 Carey Street House – Refurbish en-suite bathroom.
- Fencing Improvement to Nannup Waste Disposal Site. 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 such as Flower and Garden Festival.

Council also continued operating the Waste Disposal Site, manning the gate, burying rubbish, recycling of re use materials, running the tip shop and making general improvements to the site.

The Bunbury Regional Prison Works team continued to provide their assistance with several projects undertaken this year.





Council Road Construction works for 2019/20 were as follows:

Roads, Footpaths and Bridges	Works completed	\$ 000	Funding Body
Governor Broome Road	Reconstruct and Widen	270	Roads to Recovery and Council
Johnston Road	Widen, reconstruct & seal	142	Roads to Recovery and Council
Cundinup South Road	Seal Correction	105	Council and Regional Road Group
Fouracres Road	Reconstruct and Seal	134	Council and Regional Road Group
Bridgetown Road	Seal Correction	91	Council and Regional Road Group
Warren Road - Footpath	Replace failed concrete section with new pavers	46	Council
Balingup Road Bridge x 2	Preventative Maintenance	26	Council
East Nannup Road Bridge	Preventative Maintenance	13	Council
Longbottom Road Bridge	Preventative Maintenance	44	Council
Milyeannup Coast Road Bridge	Preventative Maintenance	14	Council
Bridgetown Nannup Road Bridge	Bitumen Surface Correction	5	Council
Roads - Various	Tree Maintenance to improve traffic safety	44	Council

As part of Council's commitment to maintain a modern, safe and reliable fleet the Plant Replacement Program in 2019/20 allowed for the replacement of the Tractor Flail Mower and purchase of a Grader mounted Roller.

The Works and Services Department consisted of 12 full time staff, these being 1 x Works Supervisor, 1 x Works Leading Hand, 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



## 9. 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.

### a) *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.

### b) *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 2020 and reported to Council at the June 2020 Ordinary Meeting of Council.

### c) *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 2020 by the external audit firm, Moore Stephens. Based on the revised timeframes, next review is due to be completed by 30 June 2022.

### d) *Freedom of Information Act 1992 - Information Statement*

Council adopted its Information Statement on 23 November 2000. This Statement was prepared in accordance with part 5 of the Freedom of Information Act 1992, and associated guidelines. The Information Statement was updated and endorsed by Council at the Ordinary Council Meeting on 22 October 2020. It can be found on Council's website.

<https://www.nannup.wa.gov.au/council/our-shire/freedom-of-information.aspx>

### e) *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 Governance Officer 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 2019/20.

**f) *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 2020. The revised Disability and Inclusion Plan is for the period 2017 – 2020 with the new review due June 2021. -check

**g) *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 scheduled for review in August 2021.

**h) *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 [www.nannup.wa.gov.au](http://www.nannup.wa.gov.au)

Projects undertaken in the 2019/20 financial year were ones that were identified in the current Strategic Community Plan 2017/2027.

## 10. Statutory

### a) *Employee Remuneration*

During 2019/20 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	0
\$130,001 - \$140,000	1

### b) *Complaints under Section 5.121 of the Local Government Act 1995*

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



## 11. Shire of Nannup Financial Report

FOR THE YEAR ENDED 30 JUNE 2020

### 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
Index of Notes to the Financial Report	9
Independent Auditor's Report	51

### 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 30 JUNE 2020

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 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Nannup at 30 June 2020 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 17th day of March 2021



---

Chief Executive Officer

David Taylor

---

Name of Chief Executive Officer

SHIRE OF NANNUP  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Rates	21(a)	1,772,136	1,771,448	1,704,777
Operating grants, subsidies and contributions	2(a)	2,037,039	1,045,827	1,664,458
Fees and charges	2(a)	453,466	475,089	443,620
Interest earnings	2(a)	96,069	60,000	110,597
Other revenue	2(a)	13,233	25,720	268,433
		<b>4,371,943</b>	<b>3,378,084</b>	<b>4,191,885</b>
<b>Expenses</b>				
Employee costs		(1,802,135)	(1,873,031)	(1,773,974)
Materials and contracts		(1,582,389)	(1,595,160)	(1,329,753)
Utility charges		(108,311)	(98,140)	(98,838)
Depreciation on non-current assets	11(b)	(1,557,445)	(816,280)	(1,396,421)
Interest expenses	2(b)	(10,667)	(18,098)	(10,892)
Insurance expenses		(169,817)	(176,168)	(171,429)
Other expenditure		(48,613)	(1,100)	0
		<b>(5,279,377)</b>	<b>(4,577,977)</b>	<b>(4,781,307)</b>
		<b>(907,434)</b>	<b>(1,199,893)</b>	<b>(589,422)</b>
Non-operating grants, subsidies and contributions	2(a)	474,800	779,530	1,156,907
Profit on asset disposals	11(a)	0	0	1,364
(Loss) on asset disposals	11(a)	(19,716)	(22,200)	(25,574)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	17,517
		<b>455,084</b>	<b>757,330</b>	<b>1,150,214</b>
<b>Net result for the period</b>		<b>(452,350)</b>	<b>(442,563)</b>	<b>560,792</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	12	0	0	472,474
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>472,474</b>
<b>Total comprehensive income for the period</b>		<b>(452,350)</b>	<b>(442,563)</b>	<b>1,033,266</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 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue</b>				
Governance		7,314	0	7,326
General purpose funding		3,181,373	2,547,379	3,245,789
Law, order, public safety		415,805	227,986	201,560
Health		20,312	16,750	21,438
Education and welfare		72,993	54,644	89,898
Housing		21,600	20,800	16,000
Community amenities		331,648	339,356	301,598
Recreation and culture		18,665	11,940	18,388
Transport		169,924	116,854	121,107
Economic services		128,389	26,975	70,530
Other property and services		3,920	15,400	98,251
		4,371,943	3,378,084	4,191,885
<b>Expenses</b>				
Governance		(381,983)	(1,136,409)	(397,210)
General purpose funding		(151,613)	(82,344)	(156,299)
Law, order, public safety		(862,267)	(296,534)	(856,573)
Health		(70,953)	(54,363)	(64,216)
Education and welfare		(159,344)	(101,206)	(147,489)
Housing		(26,068)	(34,507)	(31,038)
Community amenities		(488,763)	(372,011)	(395,067)
Recreation and culture		(486,431)	(275,288)	(414,997)
Transport		(2,277,170)	(1,026,046)	(2,017,848)
Economic services		(296,048)	(342,625)	(191,599)
Other property and services		(68,070)	(838,546)	(98,079)
		(5,268,710)	(4,559,879)	(4,770,415)
<b>Finance Costs</b>				
Community amenities		(10,667)	(10,757)	(10,892)
Recreation and culture		0	(7,341)	0
		(10,667)	(18,098)	(10,892)
		(907,434)	(1,199,893)	(589,422)
Non-operating grants, subsidies and contributions	2(a)	474,800	779,530	1,156,907
Profit on disposal of assets	11(a)	0	0	1,364
(Loss) on disposal of assets	11(a)	(19,716)	(22,200)	(25,574)
Fair value adjustments to financial assets at fair value through profit or loss		0	0	17,517
		455,084	757,330	1,150,214
<b>Net result for the period</b>		(452,350)	(442,563)	560,792
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	12	0	0	472,474
<b>Total other comprehensive income for the period</b>		0	0	472,474
<b>Total comprehensive income for the period</b>		(452,350)	(442,563)	1,033,266

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



SHIRE OF NANNUP  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	NOTE	2020	2019
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	2,286,091	4,192,064
Trade and other receivables	6	339,350	734,559
Other financial assets	5(a)	3,151,118	49,797
Inventories	7	28,686	146,023
Other assets	8	0	2,438
<b>TOTAL CURRENT ASSETS</b>		<b>5,805,245</b>	<b>5,124,881</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	88,268	100,414
Other financial assets	5(b)	238,795	325,473
Property, plant and equipment	9	12,590,034	12,823,214
Infrastructure	10	95,583,034	96,106,843
<b>TOTAL NON-CURRENT ASSETS</b>		<b>108,500,131</b>	<b>109,355,944</b>
<b>TOTAL ASSETS</b>		<b>114,305,376</b>	<b>114,480,825</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	258,622	243,549
Contract liabilities	14	46,881	0
Borrowings	15(a)	76,954	49,797
Employee related provisions	16	335,825	389,941
<b>TOTAL CURRENT LIABILITIES</b>		<b>718,282</b>	<b>683,287</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15(a)	556,302	307,956
Employee related provisions	16	50,980	57,420
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>607,282</b>	<b>365,376</b>
<b>TOTAL LIABILITIES</b>		<b>1,325,564</b>	<b>1,048,663</b>
<b>NET ASSETS</b>		<b>112,979,812</b>	<b>113,432,162</b>
<b>EQUITY</b>			
Retained surplus		31,426,081	32,321,140
Reserves - cash/financial asset backed	4	3,065,456	2,622,747
Revaluation surplus	12	78,488,275	78,488,275
<b>TOTAL EQUITY</b>		<b>112,979,812</b>	<b>113,432,162</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 30 JUNE 2020

NOTE	RESERVES CASH/FINANCIAL			TOTAL EQUITY
	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	
	\$	\$	\$	\$
<b>Balance as at 1 July 2018</b>	32,365,400	2,017,695	78,015,801	112,398,896
Comprehensive income				
Net result for the period	560,792	0	0	560,792
Other comprehensive income	12	0	472,474	472,474
Total comprehensive income	560,792	0	472,474	1,033,266
Transfers from reserves	4	(567,724)	0	0
Transfers to reserves	4	(1,172,776)	0	0
<b>Balance as at 30 June 2019</b>	32,321,140	2,622,747	78,488,275	113,432,162
Comprehensive income				
Net result for the period	(452,350)	0	0	(452,350)
Total comprehensive income	(452,350)	0	0	(452,350)
Transfers to reserves	4	(442,709)	0	0
<b>Balance as at 30 June 2020</b>	31,426,081	3,065,456	78,488,275	112,979,812

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

SHIRE OF NANNUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,759,033	1,771,448	1,658,080
Operating grants, subsidies and contributions		2,501,812	1,045,827	1,312,632
Fees and charges		453,466	475,089	443,620
Interest received		96,069	60,000	110,597
Goods and services tax received		268,665	0	0
Other revenue		13,233	25,720	268,433
		5,092,278	3,378,084	3,793,362
<b>Payments</b>				
Employee costs		(1,897,273)	(1,873,031)	(1,693,002)
Materials and contracts		(1,419,332)	(1,595,160)	(1,659,544)
Utility charges		(108,311)	(98,140)	(98,838)
Interest expenses		(10,667)	(18,098)	(11,055)
Insurance paid		(169,817)	(176,168)	(171,429)
Goods and services tax paid		(259,726)	0	(34,764)
Other expenditure		(48,613)	(1,100)	0
		(3,913,739)	(3,761,697)	(3,668,632)
Net cash provided by (used in) operating activities	17	1,178,539	(383,613)	124,730
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment	9(a)	(142,948)	(606,730)	(402,225)
Payments for construction of infrastructure	10(a)	(725,815)	(687,372)	(584,992)
Non-operating grants, subsidies and contributions	2(a)	474,800	779,530	1,156,907
Payments for financial assets at amortised cost - term deposits		(3,109,140)	0	0
Proceeds from financial assets at amortised cost - self supporting loans		94,497	49,797	42,808
Proceeds from sale of property, plant & equipment	11(a)	48,591	70,000	71,364
Net cash provided by (used in) investment activities		(3,360,015)	(394,775)	283,862
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	15(b)	(94,497)	(83,525)	(42,808)
Proceeds from new borrowings	15(b)	370,000	370,000	350,000
Advances to community groups		0	0	(350,000)
Net cash provided by (used In) financing activities		275,503	286,475	(42,808)
<b>Net increase (decrease) in cash held</b>		(1,905,973)	(491,913)	365,784
Cash at beginning of year		4,192,064	4,215,076	3,826,280
<b>Cash and cash equivalents at the end of the year</b>	17	2,286,091	3,723,163	4,192,064

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

SHIRE OF NANNUP  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2020

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>OPERATING ACTIVITIES</b>			
Net current assets at start of financial year - surplus/(deficit)	2,001,779	814,162	1,453,676
	2,001,779	814,162	1,453,676
<b>Revenue from operating activities (excluding rates)</b>			
Governance	7,314	0	8,690
General purpose funding	1,409,237	775,931	1,588,864
Law, order, public safety	415,805	227,986	201,560
Health	20,312	16,750	21,438
Education and welfare	72,993	54,644	89,898
Housing	21,600	20,800	16,000
Community amenities	331,648	339,356	301,598
Recreation and culture	18,665	11,940	18,388
Transport	169,924	116,854	121,107
Economic services	128,389	26,975	70,530
Other property and services	3,920	15,400	98,251
	2,599,807	1,606,636	2,536,324
<b>Expenditure from operating activities</b>			
Governance	(401,699)	(1,150,409)	(397,210)
General purpose funding	(151,613)	(82,344)	(156,299)
Law, order, public safety	(862,267)	(296,534)	(856,573)
Health	(70,953)	(54,363)	(64,216)
Education and welfare	(159,344)	(101,206)	(147,489)
Housing	(26,068)	(34,507)	(31,038)
Community amenities	(499,430)	(382,768)	(405,959)
Recreation and culture	(486,431)	(282,629)	(414,997)
Transport	(2,277,170)	(1,034,246)	(2,015,903)
Economic services	(296,048)	(342,625)	(191,599)
Other property and services	(68,070)	(838,546)	(98,079)
	(5,299,093)	(4,600,177)	(4,779,362)
Non-cash amounts excluded from operating activities	1,602,635	838,480	1,361,279
Amount attributable to operating activities	905,128	(1,340,899)	571,917
<b>INVESTING ACTIVITIES</b>			
Non-operating grants, subsidies and contributions	474,800	779,530	1,156,907
Proceeds from disposal of assets	48,591	70,000	71,364
Proceeds from financial assets at amortised cost - self supporting loans	94,497	49,797	42,808
Purchase of property, plant and equipment	(142,948)	(606,730)	(402,225)
Purchase and construction of infrastructure	(725,815)	(687,372)	(584,992)
Amount attributable to investing activities	(250,875)	(394,775)	283,862
<b>FINANCING ACTIVITIES</b>			
Advances to community groups	0	0	(350,000)
Repayment of borrowings	(94,497)	(83,525)	(42,808)
Proceeds from borrowings	370,000	370,000	350,000
Transfers to reserves (restricted assets)	(442,709)	(425,000)	(1,172,776)
Transfers from reserves (restricted assets)	0	104,000	567,724
Amount attributable to financing activities	(167,206)	(34,525)	(647,860)
Surplus/(deficit) before imposition of general rates	487,047	(1,770,199)	207,919
Total amount raised from general rates	1,772,136	1,771,448	1,656,925
Surplus/(deficit) after imposition of general rates	2,259,183	1,249	1,864,842

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

SHIRE OF NANNUP  
INDEX OF NOTES TO THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	15
Note 4	Reserves - Cash backed	16
Note 5	Other Financial Assets	17
Note 6	Trade and Other Receivables	18
Note 7	Inventories	19
Note 8	Other Assets	20
Note 9	Property, Plant and Equipment	21
Note 10	Infrastructure	23
Note 11	Fixed Assets	25
Note 12	Revaluation Surplus	28
Note 13	Trade and Other Payables	29
Note 14	Contract Liabilities	30
Note 15	Information on Borrowings	31
Note 16	Employee Provisions	33
Note 17	Notes to the Statement of Cash Flows	34
Note 18	Total Assets Classified by Function and Activity	35
Note 19	Contingent Liabilities	36
Note 20	Related Party Transactions	37
Note 21	Rating Information	39
Note 22	Rate Setting Statement Information	41
Note 23	Financial Risk Management	42
Note 24	Initial Application of Australian Accounting Standards	45
Note 25	Trust Funds	47
Note 26	Other Significant Accounting Policies	48
Note 27	Activities/Programs	49
Note 28	Financial Ratios	50

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.

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Prior to 1 July 2019, Financial Management Regulation 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. 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 pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

1 July 2019, the Shire has applied AASB 16 Leases requires leases to be included by lessees in the statement of financial position. Also, the Local Government (Financial Management) Regulations 1996 have been amended to specify that vested land is a right of use asset to be measured at cost. All right of use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-7 Amendments to Australian Accounting Standards - Materiality

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with From Australian Accounting Standards requires management to which 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 25 to these financial statements.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed



SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,320,880	671,687	1,334,183
Law, order, public safety	406,061	220,886	191,114
Education and welfare	52,712	34,500	28,324
Recreation and culture	1,500		1,500
Transport	158,754	116,754	109,337
Economic services	97,132	2,000	0
	<u>2,037,039</u>	<u>1,045,827</u>	<u>1,664,458</u>
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	0	262,730	508,845
Education and welfare	0	0	199,140
Recreation and culture	0	0	15,000
Transport	474,800	516,800	433,922
	<u>474,800</u>	<u>779,530</u>	<u>1,156,907</u>
<b>Total grants, subsidies and contributions</b>	<u>2,511,839</u>	<u>1,825,357</u>	<u>2,821,365</u>
<b>Fees and charges</b>			
General purpose funding	32,685	46,000	38,854
Law, order, public safety	8,475	7,100	8,885
Health	20,312	16,750	21,559
Education and welfare	6,720	16,144	14,550
Housing	21,600	20,800	16,000
Community amenities	318,558	328,599	288,106
Recreation and culture	13,756	7,220	13,908
Transport	104	100	136
Economic services	31,256	26,976	31,479
Other property and services	0	5,400	10,143
	<u>453,466</u>	<u>475,089</u>	<u>443,620</u>

**SIGNIFICANT ACCOUNTING POLICIES**

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Fees and charges	453,520	475,089	443,620
Non-operating grants, subsidies and contributions	474,800	779,530	1,156,907
	928,320	1,254,619	1,600,527
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Other revenue from contracts with customers recognised during the year	453,520	475,089	443,620
Other revenue from performance obligations satisfied during the year	474,800	779,530	1,156,907
	928,320	1,254,619	1,600,527
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	96,944		
Contract liabilities from contracts with customers	(46,881)		0
Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.			
Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.			
Consideration from contracts with customers is included in the transaction price.			
Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.			

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Revenue from statutory requirements</b>			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	1,772,136	1,771,448	1,656,925
	1,772,136	1,771,448	1,656,925
<b>Other revenue</b>			
Reimbursements and recoveries	8,951	14,963	110,774
Other	4,282	10,757	157,659
	13,233	25,720	268,433
<b>Interest earnings</b>			
Financial assets at amortised cost - self supporting loans	10,056	0	10,892
Interest on reserve funds	52,712	35,000	51,655
Rates instalment and penalty interest (refer Note 21(b))	20,527	14,000	16,953
Other interest earnings	12,774	11,000	31,097
	96,069	60,000	110,597

**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.

(b) Expenses	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	18,800	30,000	8,060
	18,800	30,000	8,060
<b>Interest expenses (finance costs)</b>			
Borrowings	10,667	18,098	10,892
15(b)	10,667	18,098	10,892

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	2,286,091	4,192,064
Total cash and cash equivalents	<u>2,286,091</u>	<u>4,192,064</u>
<b>Restrictions</b>		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	373,197	2,622,747
- Financial assets at amortised cost	3,109,140	0
	<u>3,482,337</u>	<u>2,622,747</u>

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	3,065,456	2,622,747
Contract liabilities from contracts with customers	14	46,881	
Unspent loans	15(d)	370,000	0
Total restricted assets		<u>3,482,337</u>	<u>2,622,747</u>

**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 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.

**Restricted assets**

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH/FINANCIAL ASSET	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) - Leave reserve	182,932	19,768	0	202,700	182,930	18,000	(10,000)	190,930	188,703	5,233	(11,004)	182,932
(b) - Gravel pit reserve	122,000	20,000	0	142,000	122,000	21,000	0	143,000	80,000	142,000	(100,000)	122,000
(c) - Plant machinery reserve	424,340	151,065	0	575,405	424,340	147,000	(22,000)	549,340	419,519	131,621	(126,800)	424,340
(d) - Recreation centre reserve	560	14	0	574	559	0	0	559	544	16	0	560
(e) - Office equipment reserve	97,549	32,543	0	130,092	97,549	31,000	(31,000)	97,549	75,458	22,091	0	97,549
(f) - Asset management reserve	735,772	109,186	0	844,958	735,772	101,000	(24,000)	812,772	633,231	102,541	0	735,772
(g) - Infrastructure reserve	155,000	10,000	0	165,000	155,000	11,000	0	166,000	75,000	80,000	0	155,000
(h) - Main street reserve	59	1	0	60	59	0	0	59	57	308,000	(307,998)	59
(i) - Emergency management reserve	57,792	1,507	0	59,299	57,791	1,000	0	58,791	56,234	1,558	0	57,792
(j) - Aged housing reserve	381,099	9,938	0	391,037	381,099	6,500	0	387,599	370,827	10,272	0	381,099
(k) - Landfill reserve	116,343	43,034	0	159,377	116,343	42,000	0	158,343	93,746	22,597	0	116,343
(l) - Community bus reserve	25,051	5,653	0	30,704	25,051	6,000	0	31,051	24,376	22,597	(21,922)	25,051
(m) - Statagic initiative reserve	308,000	0	0	308,000	308,000	500	(7,000)	301,500	0	308,000	0	308,000
(n) - Youth reserve	16,250	0	0	16,250	16,250	0	(10,000)	6,250	0	16,250	0	16,250
(o) - Trails reserve	0	30,000	0	30,000	0	30,000	0	30,000	0	0	0	0
(p) - Footpath reserve	0	10,000	0	10,000	0	10,000	0	10,000	0	0	0	0
	2,622,747	442,709	0	3,065,456	2,622,743	425,000	(104,000)	2,943,743	2,017,695	1,172,776	(567,724)	2,622,747

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use 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 gravel pits at the end of their useful lives
(c) - Plant machinery reserve	2028	To be used for the purchase of major plant items
(d) - Recreation centre reserve	2020	To be used for future enhancements to recreation facility
(e) - Office equipment reserve	2028	To be used to ensure the equipment required for Council Administration and the supporting computer system is maintained
(f) - Asset management reserve	2028	To provide funding for works to Council 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) - Statagic 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.
(o) - Trails reserve	2028	To be used for trial upgrade project
(p) - Footpath reserve	2028	To be used for preservation of footpaths

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE  
 FINANCIAL REPORT FOR THE YEAR ENDED 30  
 JUNE 2020

5. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
<b>(a) Current assets</b>		
Financial assets at amortised cost	3,151,118	49,797
	<u>3,151,118</u>	<u>49,797</u>
<b>Other financial assets at amortised cost</b>		
Term deposits	3,109,140	0
Self supporting loans	41,978	49,797
	<u>3,151,118</u>	<u>49,797</u>
<b>(b) Non-current assets</b>		
Financial assets at amortised cost	221,278	307,956
Financial assets at fair value through profit and loss	17,517	17,517
	<u>238,795</u>	<u>325,473</u>
<b>Financial assets at amortised cost</b>		
Self supporting loans	221,278	307,956
	<u>221,278</u>	<u>307,956</u>
<b>Financial assets at fair value through profit and loss</b>		
Units in Local Government House Trust	17,517	17,517
	<u>17,517</u>	<u>17,517</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

**SIGNIFICANT  
 ACCOUNTING POLICIES**

**Other financial assets at  
 amortised cost**

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

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

**Financial assets at fair value through profit and loss**

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

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 23.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020  
 6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable  
 Trade and other receivables  
 GST receivable  
 Prepayments

Non-current

Pensioner's rates and ESL deferred

	2020	2019
	\$	\$
	203,673	178,424
	96,944	521,370
	32,199	34,765
	6,534	0
	<b>339,350</b>	<b>734,559</b>
	88,268	100,414
	<b>88,268</b>	<b>100,414</b>

**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 23.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 30 JUNE 2020

7. INVENTORIES

Current

Stock on hand  
 Gravel inventory

	2020	2019
	\$	\$
	4,164	6,240
	24,522	139,783
	<b>28,686</b>	<b>146,023</b>
	146,023	6,240
	(235,586)	(47,509)
	118,249	187,292
	<b>28,686</b>	<b>146,023</b>

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

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.



8. OTHER ASSETS

Other assets - current

Accrued income

	2020	2019
	\$	\$
Accrued income	0	2,438
	0	2,438

**SIGNIFICANT ACCOUNTING POLICIES**

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 9. 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 2018	1,765,000	1,765,000	8,400,222	8,400,222	10,165,222	30,466	2,140,580	12,336,268
Additions	0	0	148,519	148,519	148,519	0	253,706	402,225
(Disposals)	0	0	0	0	0	0	(95,574)	(95,574)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	472,474	472,474
Revaluation (loss) / reversals transferred to profit or loss	0	0	(9,180)	(9,180)	(9,180)	(24,508)	(20,723)	(54,411)
Depreciation (expense)	0	0	(35,928)	(35,928)	(35,928)	0	(201,840)	(237,768)
<b>Carrying amount at 30 June 2019</b>	<b>1,765,000</b>	<b>1,765,000</b>	<b>8,503,633</b>	<b>8,503,633</b>	<b>10,268,633</b>	<b>5,958</b>	<b>2,548,623</b>	<b>12,823,214</b>
<b>Comprises:</b>								
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)
<b>Carrying amount at 30 June 2019</b>	<b>1,765,000</b>	<b>1,765,000</b>	<b>8,503,633</b>	<b>8,503,633</b>	<b>10,268,633</b>	<b>5,958</b>	<b>2,548,623</b>	<b>12,823,214</b>
Additions	0	0	31,715	31,715	31,715	9,275	101,958	142,948
(Disposals)	0	0	0	0	0	(1,824)	(66,483)	(68,307)
Depreciation (expense)	0	0	(37,867)	(37,867)	(37,867)	(870)	(269,084)	(307,821)
<b>Carrying amount at 30 June 2020</b>	<b>1,765,000</b>	<b>1,765,000</b>	<b>8,497,481</b>	<b>8,497,481</b>	<b>10,262,481</b>	<b>12,539</b>	<b>2,315,014</b>	<b>12,590,034</b>
<b>Comprises:</b>								
Gross carrying amount at 30 June 2020	1,765,000	1,765,000	8,605,045	8,605,045	10,370,045	16,571	2,633,310	13,019,926
Accumulated depreciation at 30 June 2020	0	0	(107,564)	(107,564)	(107,564)	(4,032)	(318,296)	(429,892)
<b>Carrying amount at 30 June 2020</b>	<b>1,765,000</b>	<b>1,765,000</b>	<b>8,497,481</b>	<b>8,497,481</b>	<b>10,262,481</b>	<b>12,539</b>	<b>2,315,014</b>	<b>12,590,034</b>

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

9. 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 rate
<b>Furniture and equipment</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current conditions, residual values and remaining useful life assessments
<b>Plant and equipment</b>	2	Market approach using recent observable market data for similar assets	Independent Registered Valuer	June 2018	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.

## 10. 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	Other infrastructure - footpaths	Other infrastructure - drainage	Other infrastructure - parks and ovals	Other infrastructure - bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 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
<b>Comprises:</b>						
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
Additions	698,100	27,715	0	0	0	725,815
Depreciation (expense)	(997,848)	(20,152)	(72,099)	(1,598)	(157,927)	(1,249,624)
Transfers	13,466	(13,466)	0	0	0	0
Carrying amount at 30 June 2020	70,877,791	1,042,261	8,454,163	95,275	15,113,544	95,583,034
<b>Comprises:</b>						
Gross carrying amount at 30 June 2020	74,733,429	1,129,253	8,731,676	107,547	15,767,237	100,469,142
Accumulated depreciation at 30 June 2020	(3,855,638)	(86,992)	(277,513)	(12,272)	(653,693)	(4,886,108)
Carrying amount at 30 June 2020	70,877,791	1,042,261	8,454,163	95,275	15,113,544	95,583,034

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

10. 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.
Other 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.
Other 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.
Other 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.
Other 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.

## 11. FIXED ASSETS

### 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

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5). These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, 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 that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the of 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 land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

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 land, buildings, infrastructure, investment properties and vested improvements 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.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control prior to 1 July 2019

In accordance with the then Local Government (Financial Management) Regulation 16(a)(ii), the Shire was previously required to include as an asset (by 30 June 2013), vested 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.

#### Land under roads prior to 1 July 2019

In Western Australia, most 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 then Local Government (Financial Management) Regulation 16(a)(i) which arbitrarily prohibited local governments from recognising such land as an asset. This regulation has now been deleted.

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

Whilst such treatment is inconsistent with the requirements

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 was not included as an asset of the Shire.

#### Land under roads from 1 July 2019

As a result of amendments to the Local Government (Financial Management) Regulations 1996, effective from 1 July 2019, vested land, including land under roads, are treated as right of use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

#### Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with Local Government (Financial Management) Regulation 17A(2)(iv) is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right of use assets at zero cost.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Furniture and equipment	\$ 1,824	\$ 0	\$ 0	\$ (1,824)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plant and equipment	66,483	48,591	0	(17,892)	92,200	70,000	0	(22,200)	95,574	71,364	1,364	(25,574)
	<u>68,307</u>	<u>48,591</u>	<u>0</u>	<u>(19,716)</u>	<u>92,200</u>	<u>70,000</u>	<u>0</u>	<u>(22,200)</u>	<u>95,574</u>	<u>71,364</u>	<u>1,364</u>	<u>(25,574)</u>

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Governance	\$	\$	\$	\$
Toyota Camry NPOOO - 2.5LT	27,214	19,091	0	(8,123)
Hino 300 Series 917 xlong	39,269	29,500	0	(9,769)
	<u>66,483</u>	<u>48,591</u>	<u>0</u>	<u>(17,892)</u>

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	37,867	60,680	35,928
Furniture and equipment	870	2,600	0
Plant and equipment	269,084	130,000	201,840
Infrastructure - roads	997,848	468,000	920,567
Other infrastructure - footpaths	20,152	0	12,198
Other infrastructure - drainage	72,099	0	66,362
Other infrastructure - parks and ovals	1,598	0	1,598
Other infrastructure - bridges	157,927	155,000	157,928
	1,557,445	816,280	1,396,421

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 and equipment	5 - 20 years
Sealed roads and streets formation	not depreciated
pavement seal	50 years
- bituminous seals	34 years
- asphalt surfaces	43 years
Gravel roads formation	not depreciated
pavement	50 to 80 years
Footpaths - slab	35 years
Water supply piping and drainage systems	70 - 150 years
Parks & Gardens	50 - 75 years
Bridges	90 - 110 years

Depreciation on revaluation

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

- (a) 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
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.



SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	4,812,147	0	0	0	4,812,147	4,812,147	0	0	0	4,812,147
Revaluation surplus - Furniture and equipment	163	0	0	0	163	163	0	0	0	163
Revaluation surplus - Plant and equipment	472,474	0	0	0	472,474	0	472,474	0	472,474	472,474
Revaluation surplus - Infrastructure - roads	50,190,704	0	0	0	50,190,704	50,190,704	0	0	0	50,190,704
Revaluation surplus - Other infrastructure - footpaths	794,838	0	0	0	794,838	794,838	0	0	0	794,838
Revaluation surplus - Other infrastructure - drainage	6,776,704	0	0	0	6,776,704	6,776,704	0	0	0	6,776,704
Revaluation surplus - Other infrastructure - bridges	15,441,245	0	0	0	15,441,245	15,441,245	0	0	0	15,441,245
	78,488,275	0	0	0	78,488,275	78,015,801	472,474	0	472,474	78,488,275

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.

13. TRADE AND OTHER PAYABLES

Current

	2020	2019
	\$	\$
Sundry creditors	89,839	72,622
Prepaid rates	14,124	14,124
Accrued salaries and wages	0	40,812
ATO liabilities	57,808	45,205
Bonds and deposits held	96,240	70,552
Accrued interest	611	234
	<b>258,622</b>	<b>243,549</b>

**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 of the purchase of these goods and services. amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event of occurs, the financial liability is extinguished and the Shire The recognises revenue for the prepaid rates that have not been refunded.

14. CONTRACT LIABILITIES

Current

Contract liabilities from contracts with customers

2020	2019
\$	\$
46,881	0
46,881	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

46,881
46,881

**SIGNIFICANT ACCOUNTING POLICIES**

Contract Liabilities

Contract liabilities represent the the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

SHIRE OF NANNUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

15. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	76,954	49,797
Non-current	556,302	307,956
	633,256	357,753

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
Community amenities				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Waste Facility Machine	40	WATC	2.30%	0	370,000	0	611	370,000	0	370,000	33,728	7,341	336,272	0	0	0	0	0
				0	370,000	0	611	370,000	0	370,000	33,728	7,341	336,272	0	0	0	0	0
Self Supporting Loans																		
Community amenities																		
SSL 37 Nannup Community Resource Centre	37	WATC	6.01%	33,132	0	18,506	1,587	14,626	34,087	0	18,506	1,570	15,581	50,561	0	17,429	2,647	33,132
SSL 39 Nannup Music Club	39	WATC	2.96%	324,621	0	75,991	8,469	248,630	324,621	0	31,291	9,187	293,330	0	350,000	25,379	8,245	324,621
				357,753	0	94,497	10,056	263,256	358,708	0	49,797	10,757	308,911	50,561	350,000	42,808	10,892	357,753
				357,753	370,000	94,497	10,667	633,256	358,708	370,000	83,525	18,098	645,183	50,561	350,000	42,808	10,892	357,753

\* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 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 30 JUNE 2020

15. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2020	2020	2020	2020		
					Actual	Budget	Actual	Budget		
Waste Facility Machine * WA Treasury Corporation	WATC	Fixed Rate	10	2.30%	\$ 370,000	\$ 370,000	\$ 0	\$ 370,000	\$ 70,864	\$ 0
					\$ 370,000	\$ 370,000	\$ 0	\$ 370,000	\$ 70,864	\$ 0

(d) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance	Borrowed During Year	Expended During Year	Unspent Balance
		1 July 2019	Year	Year	30 June 2020
Waste Facility Machine * WA Treasury Corporation	29/05/2020	\$ 0	\$ 370,000	\$ 0	\$ 370,000
		\$ 0	\$ 370,000	\$ 0	\$ 370,000

(e) Undrawn Borrowing Facilities

	2020	2019
<b>Credit Standby Arrangements</b>	\$	\$
Credit card limit	5,000	5,000
Credit card balance at balance date	0	0
<b>Total amount of credit unused</b>	<b>5,000</b>	<b>5,000</b>
<b>Loan facilities</b>		
Loan facilities - current	76,954	49,797
Loan facilities - non-current	556,302	307,956
<b>Total facilities in use at balance date</b>	<b>633,256</b>	<b>357,753</b>
<b>Unused loan facilities at balance date</b>	<b>370,000</b>	<b>0</b>

**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 23.

## 16. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	256,090	133,851	389,941
Non-current provisions	0	57,420	57,420
	256,090	191,271	447,361
Additional provision	73,257	47,455	120,712
Amounts used	(106,080)	(75,188)	(181,268)
Balance at 30 June 2020	223,267	163,538	386,805
Comprises			
Current	223,267	112,558	335,825
Non-current	0	50,980	50,980
	223,267	163,538	386,805

Amounts are expected to be settled on the following basis:

	2020 \$	2019 \$
Less than 12 months after the reporting date	282,076	389,941
More than 12 months from reporting date	104,729	53,659
Expected reimbursements from other WA local governments	0	3,761
	386,805	447,361

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. The 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 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.

## 17. 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:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	2,286,091	3,723,163	4,192,064
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(452,350)	(442,563)	560,792
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	0	0	(17,517)
Adjustments for write off of assets under \$5,000	0	0	54,411
Depreciation on non-current assets	1,557,445	816,280	1,396,421
(Profit)/loss on sale of asset	19,716	22,200	24,210
Changes in assets and liabilities:			
(Increase)/decrease in receivables	407,355	0	(433,289)
(Increase)/decrease in other assets	2,438	0	0
(Increase)/decrease in inventories	117,337	0	(139,783)
Increase/(decrease) in payables	15,073	0	(195,355)
Increase/(decrease) in provisions	(60,556)	0	31,747
Increase/(decrease) in contract liabilities	46,881	0	0
Non-operating grants, subsidies and contributions	(474,800)	(779,530)	(1,156,907)
Net cash from operating activities	1,178,539	(383,613)	124,730

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	3,389,127	2,241,265
General purpose funding	1,494,615	5,550,766
Law, order, public safety	1,561,840	1,523,664
Education and welfare	885,089	447,390
Housing	2,328,375	1,061,845
Community amenities	684,346	522,894
Recreation and culture	4,517,167	4,752,720
Transport	97,044,887	97,790,192
Economic services	560,952	590,089
Other property and services	1,838,978	0
	<u>114,305,376</u>	<u>114,480,825</u>



## 19. CONTINGENT LIABILITIES

The Shire has a refuse site located at Reserve number: 38737 - Lot 13219 on Deposited plan 214941 - Beggars Road, Nannup. This site is a possible source of contamination.

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.

## 20. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	20,450	17,000	13,933
President's allowance	8,000	8,000	8,000
Deputy President's allowance	2,000	2,000	2,000
Travelling expenses	1,244	3,000	880
Telecommunications allowance	6,822	8,800	5,862
Conference and training expenses	12,415	22,000	5,265
	<u>50,931</u>	<u>60,800</u>	<u>35,940</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	482,950	385,611
Post-employment benefits	50,751	50,916
Other long-term benefits	42,775	42,699
	<u>576,476</u>	<u>479,226</u>

#### Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses 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 leave and long service benefits accruing during the year.

## 20. 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.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Purchase of goods and services	10,426	289
Amounts paid to related parties	10,426	114,732

### Related Parties

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.

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 30 JUNE 2020

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value	2019/20 Actual Rate Revenue	2019/20 Actual Interim Rates	2019/20 Actual Back Rates	2019/20 Actual Total Revenue	2019/20 Budget Rate Revenue	2019/20 Budget Interim Rate	2019/20 Budget Back Rate	2019/20 Budget Total Revenue	2018/19 Actual Total Revenue
Differential general rate / general rate	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
GRV	0.088980	383	6,561,664	583,857	2,718	(1,914)	584,661	809,250	0	0	809,250	600,004
Unimproved valuations												
UV	0.004638	208	128,627,000	596,572	(2,318)	3,367	597,621	717,208	0	0	717,208	536,171
Sub-Total		591	135,188,664	1,180,429	400	1,453	1,182,282	1,526,458	0	0	1,526,458	1,136,175
Minimum payment												
	Minimum \$											
Gross rental valuations												
GRV	1,013	353	2,535,608	357,589	0	0	357,589	131,690	0	0	131,690	296,032
Unimproved valuations												
UV	1,133	206	26,003,497	232,265	0	0	232,265	113,300	0	0	113,300	224,718
Sub-Total		559	28,539,105	589,854	0	0	589,854	244,990	0	0	244,990	520,750
Total amount raised from general rate		1,150	163,727,769	1,770,283	400	1,453	1,772,136	1,771,448	0	0	1,771,448	1,656,925
Ex-gratia rates							1,772,136				1,771,448	1,656,925
Totals							1,772,136				1,771,448	1,704,777

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

21. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	7/10/2019	0	0.00%	11.00%
<b>Option Two</b>				
First instalment	7/10/2019	0	0.00%	11.00%
Second instalment	6/12/2019	5	5.50%	11.00%
Third instalment	3/02/2020	5	5.50%	11.00%
Fourth instalment	3/04/2020	5	5.50%	11.00%

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Interest on unpaid rates	14,414	10,000	12,025
Interest on instalment plan	6,113	4,000	4,928
Charges on instalment plan	3,750	3,500	3,450
	24,277	17,500	20,403

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

22. RATE SETTING STATEMENT INFORMATION

Note	2019/20				
	2019/20 (30 June 2020 Carried Forward) \$	Budget (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Brought Forward) \$	2018/19 (30 June 2019 Carried Forward) \$	
<b>(a) Non-cash amounts excluded from operating activities</b>					
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.					
<b>Adjustments to operating activities</b>					
Less: Profit on asset disposals	11(a)	0	0	(1,364)	(1,364)
Less: Movement in liabilities associated with restricted cash		19,768	0	(49,978)	(49,978)
Movement in pensioner deferred rates (non-current)		12,146	0	(15,760)	(15,760)
Movement in employee benefit provisions (non-current)		(6,440)	0	6,386	6,386
Add: Loss on disposal of assets	11(a)	19,716	22,200	25,574	25,574
Add: Depreciation on non-current assets	11(b)	1,557,445	816,280	1,396,421	1,396,421
<b>Non cash amounts excluded from operating activities</b>		<b>1,602,635</b>	<b>838,480</b>	<b>1,361,279</b>	<b>1,361,279</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>					
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.					
<b>Adjustments to net current assets</b>					
Less: Reserves - cash/financial asset backed	4	(3,065,456)	(2,943,743)	(2,622,747)	(2,622,747)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(41,978)	(49,797)	(49,797)	(49,797)
Less: Current assets not expected to be received at end of year		0	(180,061)	0	0
- rates receivable		0	(72,993)	0	0
- Bonds and deposits held		0	0	0	(17,517)
Less :Local Government House Trust units brought into account		0	0	0	(17,517)
Add: Current liabilities not expected to be cleared at end of year		76,954	47,557	49,797	49,797
- Current portion of borrowings	15(a)	0	0	0	(169,393)
- Current portion of contract liability held in reserve		202,700	(20,730)	182,932	182,929
- Employee benefit provisions					
<b>Total adjustments to net current assets</b>		<b>(2,827,780)</b>	<b>(3,219,767)</b>	<b>(2,439,815)</b>	<b>(2,626,728)</b>
<b>Net current assets used in the Rate Setting Statement</b>					
Total current assets		5,805,245	4,626,399	5,124,881	5,124,881
Less: Total current liabilities		(718,282)	(1,405,383)	(683,287)	(633,309)
Less: Total adjustments to net current assets		(2,827,780)	(3,219,767)	(2,439,815)	(2,626,728)
<b>Net current assets used in the Rate Setting Statement</b>		<b>2,259,183</b>	<b>1,249</b>	<b>2,001,779</b>	<b>1,864,842</b>
<b>Total current liabilities at 30 June 2019</b>					
Current liabilities excluded from calculation of net current assets at 30 June 2019 in error.					(633,309)
<b>Total current liabilities at 1 July 2019</b>					<b>(49,978)</b>
					<b>(683,287)</b>

## 23. 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

### (a) Interest rate risk

#### Cash and cash equivalents

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>2020</b>					
Cash and cash equivalents	0.49%	2,286,091	0	2,285,841	250
Financial assets at amortised cost - term deposits	0.77%	3,109,140	3,109,140	0	0
<b>2019</b>					
Cash and cash equivalents	0.122%	4,192,064	0	4,192,064	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.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	22,858	41,921

\* Holding all other variables constant

#### 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 15(b).

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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 2019 or 1 July 2020 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. The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	88,445	831	223	7,445	96,944
<b>30 June 2019</b>					
Trade and other 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



23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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><u>2020</u></b>					
Payables	234,571	0	0	234,571	258,622
Borrowings	88,867	380,562	220,853	690,282	633,256
Contract liabilities	46,881			46,881	46,881
	<u>370,319</u>	<u>380,562</u>	<u>220,853</u>	<u>971,734</u>	<u>938,759</u>
<b><u>2019</u></b>					
Payables	243,549	0	0	243,549	243,549
Borrowings	60,554	176,969	128,180	365,703	357,753
	<u>304,103</u>	<u>176,969</u>	<u>128,180</u>	<u>609,252</u>	<u>601,302</u>

## 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.

### (a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. The change in accounting policy had no impact on existing balances at the date of initial application (1 July 2019). In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

### (b) AASB 1058: Income For Not-For-Profit Entities

The Shire adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurred, the financial liability was extinguished and the Shire recognised income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
	Note	As reported under AASB 15 and AASB 1058		
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	21(a)	1,772,136	14,124	1,786,260
Operating grants, subsidies and contributions	2(a)	2,037,039	46,881	2,083,920
Fees and charges	2(a)	453,466	0	453,466
Non-operating grants, subsidies and contributions	2(a)	474,800	0	474,800
Net result		(452,350)	61,005	(391,345)
<b>Statement of Financial Position</b>				
Trade and other payables	13	258,622	(14,124)	244,498
Contract liabilities	14	46,881	(46,881)	0
Net assets		112,979,812	61,005	113,040,817
<b>Statement of Changes in Equity</b>				
Net result		(452,350)	61,005	(391,345)
Retained surplus		31,426,081	61,005	31,487,086

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies.  
 At 30 June 2019 the Shire had no leases required to be recognised.

## 25. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2019	Amounts Received	Amounts Paid	Reclassification to cash	30 June 2020
	\$	\$	\$		\$
Bonds BRB	22,018	800	(600)	(22,218)	0
Levy BCITF	761	6,532	(6,218)	(1,075)	0
Levy	160	3,475	(2,877)	(758)	0
Accrued expenses	75	0	(75)	0	0
	23,014	10,807	(9,770)	(24,051)	0

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The 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 volume 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 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

SHIRE OF NANNUP  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

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 and 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.

## 28. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio			
Asset consumption ratio	4.51	4.56	3.26
Asset renewal funding ratio	0.95	0.61	0.98
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.47	0.55	1.08
Own source revenue coverage ratio	6.10	15.11	55.09
	(0.40)	(0.25)	(0.14)
	0.44	0.49	0.44

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated}}$
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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$



## Auditor General

### 12. 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 2020, 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 2020 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 Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

##### **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 the 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.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

### **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 matters indicate significant adverse trends 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.
  - b. The Asset Sustainability 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 two financial years with the current year also being below the previous year.
- (ii) The following material matters 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 were identified during the course of my audit:
  - a. The Shire has not reported the Asset Renewal Funding Ratio for 2020, 2019 and 2018 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure in the long-term financial plan and asset management plan respectively.
  - b. For approximately 27% of purchase transactions we sampled, expenditure was not supported by an authorised purchase order. We also noted two of the purchase orders we sampled were dated after the dates of the corresponding supplier invoices. These practices increase the risk of fraud or favouritism of suppliers, not obtaining value for money in procurement, and inappropriate or unnecessary purchases.
  - c. Reconciliations for property, plant and equipment, and infrastructure were not being performed. Reconciliations are a key control for ensuring the completeness and accuracy of financial data within the general ledger and the information reported in the financial statements.
- (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 financial ratios for 2018 in Note 28 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

**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 2020 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.



CARLY MEAGHER  
ACTING SENIOR DIRECTOR FINANCIAL AUDIT Delegate of the  
Auditor General for Western Australia Perth, Western Australia  
18 March 2021