

**SHIRE OF NANNUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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**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 2021**

*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 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Nannup at 30 June 2021 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 *18<sup>th</sup>* day of *February* 2022

  
\_\_\_\_\_  
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 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Rates	22(a)	1,771,991	1,774,610	1,772,136
Operating grants, subsidies and contributions	2(a)	1,860,193	2,827,674	2,037,039
Fees and charges	2(a)	536,829	439,733	453,466
Interest earnings	2(a)	42,164	31,044	96,069
Other revenue	2(a)	67,087	70,784	13,233
		<b>4,278,264</b>	<b>5,143,845</b>	<b>4,371,943</b>
<b>Expenses</b>				
Employee costs		(1,898,886)	(2,023,759)	(1,802,135)
Materials and contracts		(1,708,822)	(3,700,843)	(1,582,389)
Utility charges		(104,745)	(105,718)	(108,311)
Depreciation on non-current assets	10(b)	(1,474,452)	(1,015,968)	(1,557,445)
Interest expenses	2(b)	(11,854)	(11,851)	(10,667)
Insurance expenses		(190,440)	(195,320)	(169,817)
Other expenditure		(50,659)	(66,670)	(48,613)
		<b>(5,439,858)</b>	<b>(7,120,129)</b>	<b>(5,279,377)</b>
		<b>(1,161,594)</b>	<b>(1,976,284)</b>	<b>(907,434)</b>
Non-operating grants, subsidies and contributions	2(a)	1,816,565	779,530	474,800
Profit on asset disposals	10(a)	57,895	0	0
(Loss) on asset disposals	10(a)	(4,761)	(10,099)	(19,716)
		<b>1,869,699</b>	<b>769,431</b>	<b>455,084</b>
<b>Net result for the period</b>		<b>708,105</b>	<b>(1,206,853)</b>	<b>(452,350)</b>
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>708,105</b>	<b>(1,206,853)</b>	<b>(452,350)</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 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Revenue</b>				
Governance		0	160	7,314
General purpose funding		3,219,329	2,467,961	3,181,373
Law, order, public safety		368,202	353,732	415,805
Health		16,291	16,470	20,312
Education and welfare		21,294	51,136	72,993
Housing		20,800	20,000	21,600
Community amenities		355,949	368,328	331,648
Recreation and culture		64,987	22,160	18,665
Transport		118,654	119,108	169,924
Economic services		76,097	1,723,290	128,389
Other property and services		16,661	1,500	3,920
		<b>4,278,264</b>	<b>5,143,845</b>	<b>4,371,943</b>
<b>Expenses</b>				
Governance		(492,533)	(673,780)	(381,983)
General purpose funding		(162,500)	(166,620)	(151,613)
Law, order, public safety		(679,614)	(919,938)	(862,267)
Health		(72,564)	(88,486)	(70,953)
Education and welfare		(187,910)	(193,906)	(159,344)
Housing		(23,294)	(44,599)	(26,068)
Community amenities		(528,436)	(507,942)	(488,763)
Recreation and culture		(555,464)	(520,324)	(486,431)
Transport		(2,282,064)	(1,924,463)	(2,277,170)
Economic services		(328,517)	(1,787,710)	(296,048)
Other property and services		(115,108)	(280,510)	(68,070)
		<b>(5,428,004)</b>	<b>(7,108,278)</b>	<b>(5,268,710)</b>
<b>Finance Costs</b>				
Community amenities	2(b)	(11,854)	(11,851)	(10,667)
		<b>(11,854)</b>	<b>(11,851)</b>	<b>(10,667)</b>
		<b>(1,161,594)</b>	<b>(1,976,284)</b>	<b>(907,434)</b>
Non-operating grants, subsidies and contributions	2(a)	1,816,565	779,530	474,800
Profit on disposal of assets	10(a)	57,895	0	0
(Loss) on disposal of assets	10(a)	(4,761)	(10,099)	(19,716)
		<b>1,869,699</b>	<b>769,431</b>	<b>455,084</b>
<b>Net result for the period</b>		<b>708,105</b>	<b>(1,206,853)</b>	<b>(452,350)</b>
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period</b>		<b>708,105</b>	<b>(1,206,853)</b>	<b>(452,350)</b>

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



**SHIRE OF NANNUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	3,023,520	2,286,091
Trade and other receivables	6	346,871	339,350
Other financial assets	5(a)	2,646,943	3,151,118
Inventories	7	4,164	28,686
<b>TOTAL CURRENT ASSETS</b>		<b>6,021,498</b>	<b>5,805,245</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	70,797	88,268
Other financial assets	5(b)	210,623	238,795
Property, plant and equipment	8	13,270,169	12,590,034
Infrastructure	9	96,054,393	95,583,034
Right-of-use assets	11(a)	46,768	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>109,652,750</b>	<b>108,500,131</b>
<b>TOTAL ASSETS</b>		<b>115,674,248</b>	<b>114,305,376</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	538,096	258,622
Other liabilities	14	427,637	46,881
Lease liabilities	15(a)	17,002	0
Borrowings	16(a)	63,574	76,954
Employee related provisions	17	380,456	335,825
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,426,765</b>	<b>718,282</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	15(a)	29,754	0
Borrowings	16(a)	492,719	556,302
Employee related provisions	17	37,093	50,980
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>559,566</b>	<b>607,282</b>
<b>TOTAL LIABILITIES</b>		<b>1,986,331</b>	<b>1,325,564</b>
<b>NET ASSETS</b>		<b>113,687,917</b>	<b>112,979,812</b>
<b>EQUITY</b>			
Retained surplus		31,878,019	31,426,081
Reserves - cash/financial asset backed	4	3,321,623	3,065,456
Revaluation surplus	12	78,488,275	78,488,275
<b>TOTAL EQUITY</b>		<b>113,687,917</b>	<b>112,979,812</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 2021**

		<b>RESERVES CASH/FINANCIAL</b>			
	<b>RETAINED SURPLUS</b>	<b>ASSET BACKED</b>	<b>REVALUATION SURPLUS</b>	<b>TOTAL EQUITY</b>	
<b>NOTE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Balance as at 1 July 2019</b>	<b>32,321,140</b>	<b>2,622,747</b>	<b>78,488,275</b>	<b>113,432,162</b>	
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	(442,709)	442,709	0	0	
<b>Balance as at 30 June 2020</b>	<b>31,426,081</b>	<b>3,065,456</b>	<b>78,488,275</b>	<b>112,979,812</b>	
Comprehensive income					
Net result for the period	708,105	0	0	708,105	
Total comprehensive income	708,105	0	0	708,105	
Transfers to reserves	(256,167)	256,167	0	0	
<b>Balance as at 30 June 2021</b>	<b>31,878,019</b>	<b>3,321,623</b>	<b>78,488,275</b>	<b>113,687,917</b>	

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 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,844,421	1,824,610	1,759,033
Operating grants, subsidies and contributions		2,194,519	2,780,793	2,501,812
Fees and charges		536,829	439,733	453,466
Interest received		42,164	31,044	96,069
Goods and services tax received		614,046	361,556	268,665
Other revenue		67,087	70,784	13,233
		5,299,066	5,508,520	5,092,278
<b>Payments</b>				
Employee costs		(1,867,573)	(2,023,759)	(1,897,273)
Materials and contracts		(1,405,410)	(3,550,843)	(1,419,332)
Utility charges		(104,745)	(105,718)	(108,311)
Interest expenses		(11,839)	(11,851)	(10,667)
Insurance paid		(190,440)	(195,320)	(169,817)
Goods and services tax paid		(630,096)	(361,556)	(259,726)
Other expenditure		(50,659)	(66,670)	(48,613)
		(4,260,762)	(6,315,717)	(3,913,739)
<b>Net cash provided by/(used in) operating activities</b>	18	1,038,304	(807,197)	1,178,539
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for financial assets at amortised cost		490,360	0	(3,109,140)
Payments for purchase of property, plant & equipment	8(a)	(1,162,383)	(1,410,527)	(142,948)
Payments for construction of infrastructure	9(a)	(1,629,826)	(672,693)	(725,815)
Non-operating grants, subsidies and contributions	2(a)	1,816,565	779,530	474,800
Proceeds from financial assets at amortised cost - self supporting loans		41,987	39,399	94,497
Proceeds from sale of property, plant & equipment	10(a)	223,636	30,000	48,591
<b>Net cash provided by/(used in) investment activities</b>		(219,661)	(1,234,291)	(3,360,015)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings	16(b)	(76,963)	(76,953)	(94,497)
Payments for principal portion of lease liabilities	15(b)	(4,251)	0	0
Proceeds from new borrowings	16(b)	0	0	370,000
<b>Net cash provided by/(used in) financing activities</b>		(81,214)	(76,953)	275,503
<b>Net increase/(decrease) in cash held</b>		737,429	(2,118,441)	(1,905,973)
Cash at beginning of year		2,286,091	5,371,864	4,192,064
<b>Cash and cash equivalents at the end of the year</b>	18	3,023,520	3,253,423	2,286,091

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

**SHIRE OF NANNUP  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	23 (b)	2,259,183	2,337,941	2,001,779
		2,259,183	2,337,941	2,001,779
<b>Revenue from operating activities (excluding rates)</b>				
Governance		0	160	7,314
General purpose funding		1,447,338	693,351	1,409,237
Law, order, public safety		368,202	353,732	415,805
Health		16,291	16,470	20,312
Education and welfare		21,294	51,136	72,993
Housing		20,800	20,000	21,600
Community amenities		355,949	368,328	331,648
Recreation and culture		64,987	22,160	18,665
Transport		176,549	119,108	169,924
Economic services		76,097	1,723,290	128,389
Other property and services		16,661	1,500	3,920
		2,564,168	3,369,235	2,599,807
<b>Expenditure from operating activities</b>				
Governance		(492,533)	(683,879)	(401,699)
General purpose funding		(162,500)	(166,620)	(151,613)
Law, order, public safety		(679,614)	(919,938)	(862,267)
Health		(72,564)	(88,486)	(70,953)
Education and welfare		(187,910)	(193,906)	(159,344)
Housing		(23,294)	(44,599)	(26,068)
Community amenities		(540,290)	(519,793)	(499,430)
Recreation and culture		(555,464)	(520,324)	(486,431)
Transport		(2,286,825)	(1,924,463)	(2,277,170)
Economic services		(328,517)	(1,787,710)	(296,048)
Other property and services		(115,108)	(280,510)	(68,070)
		(5,444,619)	(7,130,228)	(5,299,093)
Non-cash amounts excluded from operating activities	23(a)	1,446,004	999,186	1,602,635
<b>Amount attributable to operating activities</b>		824,736	(423,866)	905,128
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions	2(a)	1,816,565	779,530	474,800
Proceeds from disposal of assets	10(a)	223,636	30,000	48,591
Proceeds from financial assets at amortised cost - self supporting loans		41,987	39,399	94,497
Purchase of property, plant and equipment	8(a)	(1,162,383)	(1,410,527)	(142,948)
Purchase and construction of infrastructure	9(a)	(1,629,826)	(672,693)	(725,815)
<b>Amount attributable to investing activities</b>		(710,021)	(1,234,291)	(250,875)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	16(b)	(76,963)	(76,953)	(94,497)
Proceeds from borrowings	16(b)	0	0	370,000
Payments for principal portion of lease liabilities	15(b)	(4,251)	0	0
Transfers to reserves (restricted assets)	4	(256,167)	(239,500)	(442,709)
Transfers from reserves (restricted assets)	4	0	200,000	0
<b>Amount attributable to financing activities</b>		(337,381)	(116,453)	(167,206)
<b>Surplus/(deficit) before imposition of general rates</b>		(222,666)	(1,774,610)	487,047
<b>Total amount raised from general rates</b>	22(a)	1,771,991	1,774,610	1,772,136
<b>Surplus/(deficit) after imposition of general rates</b>	23(b)	1,549,325	0	2,259,183

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 2021**

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## **1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* 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 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.

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 financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

### **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.

### **INITIAL APPLICATION OF 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.

These were:

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

The adoption of these standards had no material impact on the financial report.

### **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

### **CRITICAL ACCOUNTING ESTIMATES**

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

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

**SHIRE OF NANNUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,352,180	622,466	1,320,880
Law, order, public safety	358,481	346,170	406,061
Education and welfare	9,084	44,448	52,712
Recreation and culture	0	5,073	1,500
Transport	118,580	118,877	158,754
Economic services	21,868	1,690,640	97,132
	1,860,193	2,827,674	2,037,039
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	37,306	262,730	0
Recreation and culture	1,123,280	0	0
Transport	605,805	516,800	474,800
Economic services	50,174	0	0
	1,816,565	779,530	474,800
<b>Total grants, subsidies and contributions</b>	<b>3,676,758</b>	<b>3,607,204</b>	<b>2,511,839</b>
<b>Fees and charges</b>			
General purpose funding	40,454	30,750	32,685
Law, order, public safety	8,445	7,562	8,475
Health	16,291	16,470	20,312
Education and welfare	7,424	4,688	6,720
Housing	20,800	20,000	21,600
Community amenities	348,517	312,313	318,558
Recreation and culture	32,262	13,694	13,756
Transport	74	105	104
Economic services	54,025	32,651	31,256
Other property and services	8,537	1,500	0
	536,829	439,733	453,466

There were no changes to the amounts of fees or charges detailed in the original budget.

**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 2021**

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

**(a) Revenue (Continued)**

**Contracts with customers and transfers for recognisable non-financial assets**

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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions	423,973	385,047	465,833
Fees and charges	92,090	58,442	63,689
Other revenue	61,252	55,249	4,282
Non-operating grants, subsidies and contributions	1,816,565	779,530	474,800
	<u>2,393,880</u>	<u>1,278,268</u>	<u>1,008,604</u>

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:

Revenue from contracts with customers included as a contract liability at the start of the period	46,881	0	0
Revenue from contracts with customers recognised during the year	530,434	498,738	533,804
Revenue from transfers intended for acquiring or constructing recognisable non financial assets during the year	1,816,565	779,530	474,800
	<u>2,393,880</u>	<u>1,278,268</u>	<u>1,008,604</u>

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	149,908		96,944
Contract liabilities from contracts with customers	(427,637)		(46,881)

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.

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

**(a) Revenue (Continued)**

**Revenue from statutory requirements**

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates	1,771,991	1,774,610	1,772,136
Statutory permits and licences	444,239	381,291	389,777
Fines	500	0	0
	<u>2,216,730</u>	<u>2,155,901</u>	<u>2,161,913</u>

**Other revenue**

Reimbursements and recoveries	5,835	70,784	8,951
Other	61,252	0	4,282
	<u>67,087</u>	<u>70,784</u>	<u>13,233</u>

**Interest earnings**

Financial assets at amortised cost - self supporting loans	7,432	0	10,056
Interest on reserve funds	16,668	6,786	52,712
Rates instalment and penalty interest (refer Note 21(b))	12,693	9,000	20,527
Other interest earnings	5,371	15,258	12,774
	<u>42,164</u>	<u>31,044</u>	<u>96,069</u>

**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 operating income where it is earned from financial assets that are held for cash management purposes.

**(b) Expenses**

**Auditors remuneration**

Audit of the Annual Financial Report	18,500	30,000	23,300
	<u>18,500</u>	<u>30,000</u>	<u>23,300</u>

**Interest expenses (finance costs)**

Borrowings	11,854	11,851	10,667
	<u>11,854</u>	<u>11,851</u>	<u>10,667</u>

**Other expenditure**

Sundry expenses	50,659	66,670	48,613
	<u>50,659</u>	<u>66,670</u>	<u>48,613</u>

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**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

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**3. CASH AND CASH EQUIVALENTS**

	NOTE	2021	2020
		\$	\$
Cash at bank and on hand		3,023,520	2,286,091
<b>Total cash and cash equivalents</b>		<b>3,023,520</b>	<b>2,286,091</b>
<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		1,130,480	373,197
- Financial assets at amortised cost		2,618,780	3,109,140
		<b>3,749,260</b>	<b>3,482,337</b>
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash/financial asset backed	4	3,321,623	3,065,456
Contract liabilities from contracts with customers	14	427,637	46,881
Unspent loans	16(c)	0	370,000
<b>Total restricted assets</b>		<b>3,749,260</b>	<b>3,482,337</b>

**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.

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**4. RESERVES - CASH/FINANCIAL  
ASSET BACKED**

	2021 Actual		2021 Actual		2021 Budget		2021 Budget		2020 Actual		2020 Actual	
	Opening Balance	Transfer to	Actual	Transfer (from)	Opening Balance	Transfer to	Transfer (from)	Closing Balance	Opening Balance	Transfer to	Transfer (from)	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	202,700	21,102	223,802	0	202,702	20,000	0	222,702	182,932	19,768	0	202,700
(b) Gravel pit reserve	142,000	21,772	163,772	0	142,000	21,000	0	163,000	122,000	20,000	0	142,000
(c) Plant machinery reserve	575,405	33,129	608,534	0	575,405	30,000	0	605,405	424,340	151,065	0	575,405
(d) Recreation centre reserve	574	3	577	0	575	0	0	575	560	14	0	574
(e) Office equipment reserve	130,092	35,708	165,800	0	130,093	35,000	0	165,093	97,549	32,543	0	130,092
(f) Asset management reserve	844,958	54,594	899,552	0	844,958	50,000	0	894,958	735,772	109,186	0	844,958
(g) Infrastructure reserve	165,000	15,897	180,897	0	165,000	15,000	0	180,000	155,000	10,000	0	165,000
(h) Main street reserve	60	0	60	0	60	0	0	60	59	1	0	60
(i) Emergency management reserve	59,299	2,322	61,621	0	59,299	2,000	0	61,299	57,792	1,507	0	59,299
(j) Aged housing reserve	391,037	8,626	399,663	0	391,036	6,500	0	397,536	381,099	9,938	0	391,037
(k) Landfill reserve	159,377	20,866	180,243	0	159,377	20,000	0	179,377	116,343	43,034	0	159,377
(l) Community bus reserve	30,704	167	30,871	0	30,704	0	0	30,704	25,051	5,653	0	30,704
(m) Strategic initiative reserve	308,000	1,675	309,675	0	308,000	0	(200,000)	108,000	308,000	0	0	308,000
(n) Youth reserve	16,250	89	16,339	0	16,250	0	0	16,250	16,250	0	0	16,250
(o) Trails reserve	30,000	30,163	60,163	0	30,000	30,000	0	60,000	0	30,000	0	30,000
(p) Footpath reserve	10,000	10,054	20,054	0	10,000	10,000	0	20,000	0	10,000	0	10,000
	3,065,456	256,167	3,321,623	0	3,065,459	239,500	(200,000)	3,104,959	2,622,747	442,709	0	3,065,456

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	Ongoing	An accounting requirement to fund leave accumulated by employees
(b) Gravel pit reserve	Ongoing	To be used for the rehabilitation of gravel pits at the end of their useful lives
(c) Plant machinery reserve	Ongoing	To be used for the purchase of major plant items
(d) Recreation centre reserve	2028	To be used for future enhancements to recreation facility
(e) Office equipment reserve	Ongoing	To be used to ensure the equipment required for Council Administration and the supporting computer system is maintained
(f) Asset management reserve	Ongoing	To provide funding for works to Council buildings as determined by the Asset Management Plan.
(g) Infrastructure reserve	Ongoing	To provide support to future budgets to minimise the impact of the loss of capital grants as and when required.
(h) Main street reserve	2028	To be used to support the Main Street upgrade project.
(i) Emergency management reserve	Ongoing	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	Ongoing	To provide funding for the rehabilitation of the refuse disposal site once it reaches the end of useful life.
(l) Community bus reserve	Ongoing	To be used to cover future capital upgrades.
(m) Strategic initiative reserve	Ongoing	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	Ongoing	To be used for trial upgrade project
(p) Footpath reserve	Ongoing	To be used for preservation of footpaths



## 5. OTHER FINANCIAL ASSETS

### (a) Current assets

Financial assets at amortised cost

#### Other financial assets at amortised cost

Term deposits

Self supporting loans

### (b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit and loss

#### Financial assets at amortised cost

Self supporting loans

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

Units in Local Government House Trust

	2021	2020
	\$	\$
	2,646,943	3,151,118
	2,646,943	3,151,118
	2,618,780	3,109,140
	28,163	41,978
	2,646,943	3,151,118
	193,106	221,278
	17,517	17,517
	210,623	238,795
	193,106	221,278
	193,106	221,278
	17,517	17,517
	17,517	17,517

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 16(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 24.

## 6. TRADE AND OTHER RECEIVABLES

### Current

Rates receivable	
Trade and other receivables	
GST receivable	
Allowance for impairment of receivables	

### Non-current

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

	2021	2020
	\$	\$
	148,714	203,673
	149,908	96,944
	48,249	32,199
	0	6,534
	346,871	339,350
	70,797	88,268
	70,797	88,268

### 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 24.

### 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.

## 7. INVENTORIES

### Current

Fuel and materials  
 Gravel

	2021	2020
	\$	\$
	4,164	4,164
	0	24,522
	4,164	28,686
	28,686	146,023
	(24,522)	(235,586)
	0	118,249
	4,164	28,686

The following movements in inventories occurred during the year:

### Balance at beginning of year

Inventories expensed during the year

Additions to inventory

### Balance at end of year

### 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. PROPERTY, PLANT AND EQUIPMENT

### (a) Movements in Balances

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

	Land \$	Buildings \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
<b>Balance at 1 July 2019</b>	1,765,000	8,503,633	10,268,633	5,958	2,548,623	12,823,214
Additions	0	31,715	31,715	9,275	101,958	142,948
(Disposals)	0	0	0	(1,824)	(66,483)	(68,307)
Depreciation (expense)	0	(37,867)	(37,867)	(870)	(269,084)	(307,821)
<b>Balance at 30 June 2020</b>	1,765,000	8,497,481	10,262,481	12,539	2,315,014	12,590,034
<b>Comprises:</b>						
Gross balance amount at 30 June 2020	1,765,000	8,605,045	10,370,045	16,571	2,633,310	13,019,926
Accumulated depreciation at 30 June 2020	0	(107,564)	(107,564)	(4,032)	(318,296)	(429,892)
<b>Balance at 30 June 2020</b>	1,765,000	8,497,481	10,262,481	12,539	2,315,014	12,590,034
Additions	0	261,969	261,969	26,907	873,507	1,162,383
(Disposals)	0	0	0	0	(170,502)	(170,502)
Depreciation (expense)	0	(39,026)	(39,026)	(5,758)	(266,962)	(311,746)
<b>Balance at 30 June 2021</b>	1,765,000	8,720,424	10,485,424	33,688	2,751,057	13,270,169
<b>Comprises:</b>						
Gross balance amount at 30 June 2021	1,765,000	8,867,014	10,632,014	43,478	3,313,708	13,989,200
Accumulated depreciation at 30 June 2021	0	(146,590)	(146,590)	(9,790)	(562,651)	(719,031)
<b>Balance at 30 June 2021</b>	1,765,000	8,720,424	10,485,424	33,688	2,751,057	13,270,169

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

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>(i) Fair Value</b>					
Land and buildings					
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	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>(ii) Cost</b>					
<b>Furniture and equipment</b>					
		Cost	At cost	N/A	N/A
<b>Plant and equipment</b>					
		Cost	At cost	N/A	N/A

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

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9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances 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
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	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
<b>Balance at 30 June 2020</b>	70,877,791	1,042,261	8,454,163	95,275	15,113,544	95,583,034
<b>Comprises:</b>						
Gross balance 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)
<b>Balance at 30 June 2020</b>	70,877,791	1,042,261	8,454,163	95,275	15,113,544	95,583,034
Additions	1,595,721	9,455	0	14,180	10,470	1,629,826
Depreciation (expense)	(906,620)	(20,207)	(72,095)	(1,609)	(157,936)	(1,158,467)
<b>Balance at 30 June 2021</b>	71,566,892	1,031,509	8,382,068	107,846	14,966,078	96,054,393
<b>Comprises:</b>						
Gross balance at 30 June 2021	76,329,150	1,138,708	8,731,676	121,727	15,777,707	102,098,968
Accumulated depreciation at 30 June 2021	(4,762,258)	(107,199)	(349,608)	(13,881)	(811,629)	(6,044,575)
<b>Balance at 30 June 2021</b>	71,566,892	1,031,509	8,382,068	107,846	14,966,078	96,054,393

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

(i) Fair Value	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.

## 10. 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 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.

#### Revaluation (Continued)

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 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, is 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.

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).



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**10. FIXED ASSETS**

**(a) Disposals of Assets**

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2021 Budget Net Book Value	2021 Budget Sale Proceeds	2021 Budget Profit	2021 Budget Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Furniture and equipment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,824	\$ 0	\$ 0	\$ (1,824)
Plant and equipment	170,502	223,636	57,895	(4,761)	40,099	30,000	0	(10,099)	66,483	48,591	0	(17,892)
	170,502	223,636	57,895	(4,761)	40,099	30,000	0	(10,099)	68,307	48,591	0	(19,716)

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
<b>Plant and Equipment</b>				
<b>Transport</b>				
Truck Scania P420 NP3005	47,206	77,273	30,067	0
Truck Scania P420 NP3003	49,444	77,272	27,828	0
Toyota Hilux 4x4 Workmate	33,451	29,091	0	(4,360)
Toyota fortuner 2.8l diesel	40,401	40,000	0	(401)
	170,502	223,636	57,895	(4,761)

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**10. FIXED ASSETS**

**(b) Depreciation**

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings	39,026	37,867	37,867
Furniture and equipment	5,758	870	870
Plant and equipment	266,962	269,084	269,084
Infrastructure - roads	906,620	552,387	997,848
Other infrastructure - footpaths	20,207	0	20,152
Other infrastructure - drainage	72,095	0	72,099
Other infrastructure - parks and ovals	1,609	0	1,598
Other infrastructure - bridges	157,936	155,760	157,927
Right-of-use assets - plant and equipment	4,239	0	0
	<b>1,474,452</b>	<b>1,015,968</b>	<b>1,557,445</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

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

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

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

Profits and losses on asset disposals are determined by comparing proceeds with the carrying amount. These profits and losses are included in the statement of comprehensive income in the period in which they arise.

**Depreciation rates**

Typical estimated useful lives for each asset class for the current and prior years are:

Asset Class	Years
Land	not depreciated
Buildings	20 to 100
Furniture and equipment	4 to 20
Plant and equipment	4 to 20
Bridges	90 to 100
Footpaths	35 to 60
Sealed roads formation	not depreciated
pavement	
- bituminous seal	up to 34
- asphalt surface	up to 43
Gravel roads formation	not depreciated
pavement	50 to 80
Drainage	70 to 150
Parks	50 to 75

**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.

## 11. LEASES

### (a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - plant and equipment \$	Right-of-use assets Total
<b>Balance at 1 July 2019</b>	0	0
Additions	51,007	51,007
Depreciation (expense)	(4,239)	(4,239)
<b>Balance at 30 June 2021</b>	46,768	46,768

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

	2021 Actual \$	2020 Actual \$
Depreciation expense on right-of-use assets	(4,239)	0
<b>Total amount recognised in the statement of comprehensive income</b>	(4,239)	0
Total cash outflow from leases	(4,251)	0

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

#### Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that 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). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

#### Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

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**12. REVALUATION SURPLUS**

	2021		2021		2021		2020		2020		2020	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	4,812,147	0	0	0	4,812,147	4,812,147	0	0	0	4,812,147	4,812,147	0
Revaluation surplus - Furniture and equipment	163	0	0	0	163	163	0	0	0	163	163	0
Revaluation surplus - Plant and equipment	472,474	0	0	0	472,474	472,474	0	0	0	472,474	472,474	0
Revaluation surplus - Infrastructure - roads	50,190,704	0	0	0	50,190,704	50,190,704	0	0	0	50,190,704	50,190,704	0
Revaluation surplus - Other infrastructure - footpaths	794,838	0	0	0	794,838	794,838	0	0	0	794,838	794,838	0
Revaluation surplus - Other infrastructure - drainage	6,776,704	0	0	0	6,776,704	6,776,704	0	0	0	6,776,704	6,776,704	0
Revaluation surplus - Other infrastructure - bridges	15,441,245	0	0	0	15,441,245	15,441,245	0	0	0	15,441,245	15,441,245	0
	<b>78,488,275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,488,275</b>	<b>78,488,275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,488,275</b>	<b>78,488,275</b>	<b>0</b>

**13. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors
Prepaid rates
ATO liabilities
Bonds and deposits held
Accrued interest

2021	2020
\$	\$
395,381	89,839
14,124	14,124
58,377	57,808
69,588	96,240
626	611
538,096	258,622

**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.

The 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 occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

14. OTHER LIABILITIES

**Current**

Grant liabilities

2021	2020
\$	\$
427,637	46,881
427,637	46,881

Performance obligations for each type of liability are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

427,637

46,881

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract liabilities**

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

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

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

**Grant liabilities**

Grant liabilities represent the Shire's performance obligations to construct recognisable non-financial assets to identified specifications which are yet to be satisfied.

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

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**15. LEASE LIABILITIES**

	2021	2020
(a) Lease Liabilities	\$	\$
Current	17,002	0
Non-current	29,754	0
	46,756	0

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2020		30 June 2020		
					Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual
					Lease Principal	New Leases	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	Lease Principal	
					1 July 2020		Repayments	Outstanding	Repayments	Outstanding	Repayments	Outstanding	Repayments	Outstanding	Repayments	Outstanding	Repayments	Outstanding	
Law, order, public safety	979823	sgfleet	0.00%	3 years	0	51,007	(4,251)	46,756	0	0	0	0	0	0	0	0	0	0	0
Vehicle - Ford Ranger					0	51,007	(4,251)	46,756	0	0	0	0	0	0	0	0	0	0	0
					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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**16. INFORMATION ON BORROWINGS**

	2021	2020
(a) Borrowings	\$	\$
Current	63,574	76,954
Non-current	492,719	556,302
	556,293	633,256

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2020		30 June 2020		30 June 2020	
				Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest
<b>Community amenities</b>																	
Waste facility machine	40	WATC	1.24%	370,000	(4,422)	(34,976)	(4,480)	335,024		0	370,000	0	(611)	370,000			
				370,000	(4,422)	(34,976)	(4,480)	335,024		0	370,000	0	(611)	370,000			
<b>Self Supporting Loans</b>																	
<b>Community amenities</b>																	
Nannup Community Resource Centre	37	WATC	6.01%	14,626	(368)	(14,626)	(368)	0		0	0	(18,506)	(1,587)	14,626			
Nannup Music club	39	WATC	2.96%	248,630	(7,063)	(27,361)	(7,002)	210,679		0	0	(75,991)	(8,469)	248,630			
				263,256	(7,432)	(41,987)	(7,371)	221,269		0	0	(94,497)	(10,056)	263,256			
				633,256	(11,854)	(76,963)	(11,851)	556,293		357,753	370,000	(94,497)	(10,667)	633,256			

\* 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.



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

**(c) Unspent Borrowings**

Particulars	Date Borrowed	Unspent Balance 1 July 2020	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2021
		\$	\$	\$	\$
Waste facility machine	29/05/2020	370,000	0	(370,000)	0
* WA Treasury Corporation		370,000	0	(370,000)	0

**(d) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

	2021	2020
	\$	\$
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
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>

**Loan facilities**

Loan facilities - current	63,574	76,954
Loan facilities - non-current	492,719	556,302
Lease liabilities - current	17,002	0
Lease liabilities - non-current	29,754	0
<b>Total facilities in use at balance date</b>	<b>603,049</b>	<b>633,256</b>

**Unused loan facilities at balance date**

NIL NIL

**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 24.

## 17. EMPLOYEE RELATED PROVISIONS

### (a) Employee Related Provisions

#### Opening balance at 1 July 2020

Current provisions  
 Non-current provisions

Additional provision

Amounts used

#### Balance at 30 June 2021

#### Comprises

Current  
 Non-current

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2020			
Current provisions	223,267	112,558	335,825
Non-current provisions	0	50,980	50,980
	223,267	163,538	386,805
Additional provision	114,263	31,855	146,118
Amounts used	(109,415)	(5,959)	(115,374)
Balance at 30 June 2021	228,115	189,434	417,549
Comprises			
Current	228,115	152,341	380,456
Non-current	0	37,093	37,093
	228,115	189,434	417,549

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

Less than 12 months after the reporting date  
 More than 12 months from reporting date

	2021 \$	2020 \$
Less than 12 months after the reporting date	291,428	282,076
More than 12 months from reporting date	126,121	104,729
	417,549	386,805

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

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

#### Short-term employee benefits

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

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

#### Other long-term employee benefits

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

#### Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

#### Provisions

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

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

## 18. 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:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Cash and cash equivalents	3,023,520	3,253,423	2,286,091
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	708,105	(1,206,853)	(452,350)
Non-cash flows in Net result:			
Depreciation on non-current assets	1,474,452	1,015,968	1,557,445
(Profit)/loss on sale of asset	(53,134)	10,099	19,716
Changes in assets and liabilities:			
(Increase)/decrease in receivables	9,950	50,000	407,355
(Increase)/decrease in other assets	0	0	2,438
(Increase)/decrease in inventories	24,522	0	117,337
Increase/(decrease) in payables	279,474	150,000	15,073
Increase/(decrease) in employee provisions	30,744	0	(60,556)
Increase/(decrease) in other liabilities	380,756	(46,881)	46,881
Non-operating grants, subsidies and contributions	(1,816,565)	(779,530)	(474,800)
Net cash from operating activities	1,038,304	(807,197)	1,178,539

## 19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	1,664,488	3,389,127
General purpose funding	548,640	1,494,615
Law, order, public safety	1,525,903	1,561,840
Health	26,423	0
Education and welfare	892,899	885,089
Housing	2,381,367	2,328,375
Community amenities	1,044,161	684,346
Recreation and culture	5,117,865	4,517,167
Transport	95,774,658	97,044,887
Economic services	550,381	560,952
Other property and services	2,946,945	1,838,978
Unallocated	3,200,518	0
	<u>115,674,248</u>	<u>114,305,376</u>

## **20. CONTINGENT LIABILITIES**

The Shire has a refuse site located at Reserve number: 38737 - Lot 13219 on deposited plan 214941 - Beggars Road, Nannup. This site has been classified by the Department of Water and Environmental Regulation (DWER) as 'possibly contaminated - investigation required.'

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the DWER 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 DWER Guidelines.

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**21. RELATED PARTY TRANSACTIONS**

**Elected Members' Remuneration**

	2021 Actual \$	2021 Budget \$	2020 Actual \$
<b>President T Dean</b>			
President's annual allowance	8,000	8,000	8,000
Meeting attendance fees	2,880	2,929	7,148
Other expenses	0	0	3,777
ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	1,125	375	237
	13,105	12,404	20,261
<b>Deputy President R Mellema</b>			
Deputy President's annual allowance	2,000	2,000	2,000
Meeting attendance fees	2,015	2,929	4,115
Other expenses	0	0	2,380
ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	340	375	60
	5,455	6,404	9,656
<b>Councillor C Brown</b>			
Meeting attendance fees	1,690	2,929	1,300
Other expenses	0	0	1,025
ICT expenses	1,100	1,100	1,470
Travel and accommodation expenses	0	375	82
	2,790	4,404	3,876
<b>Councillor C Buckland</b>			
Meeting attendance fees	1,885	2,929	2,920
Other expenses	0	0	2,380
ICT expenses	1,100	1,100	1,100
Travel and accommodation expenses	0	375	0
	2,985	4,404	6,400
<b>Former Councillor V Corbett</b>			
Meeting attendance fees	0	2,929	0
Other expenses	0	0	423
ICT expenses	0	1,100	1,390
Travel and accommodation expenses	0	375	0
	0	4,404	1,813
<b>Councillor P Fraser</b>			
Meeting attendance fees	0	2,929	0
Other expenses	0	0	830
Annual allowance for ICT expenses	0	1,100	0
Travel and accommodation expenses	0	375	0
	0	4,404	830
<b>Councillor V Hanson</b>			
Meeting attendance fees	2,665	2,929	1,690
Other expenses	0	0	423
Annual allowance for ICT expenses	860	1,100	662
Annual allowance for travel and accommodation expenses	0	375	0
	3,525	4,404	2,775
<b>Councillor C Stephenson</b>			
Meeting attendance fees	2,275	2,929	2,562
Other expenses	0	0	1,177
Annual allowance for ICT expenses	1,100	1,100	0
Travel and accommodation expenses	688	375	865
	4,063	4,404	4,604
<b>Former Councillor N Steer</b>			
Meeting attendance fees	0	0	390
	0	0	390
<b>Former Councillor R Longmore</b>			
Meeting attendance fees	0	0	325
	0	0	325
	31,923	45,232	50,930
Fees, expenses and allowances to be paid or reimbursed to elected council members.			
President's allowance	8,000	8,000	8,000
Deputy President's allowance	2,000	2,000	2,000
Meeting attendance fees	13,410	23,432	20,450
Other expenses	0	0	12,414
ICT expenses	4,400	5,500	6,160
Annual allowance for ICT expenses	1,960	3,300	662
Travel and accommodation expenses	2,153	2,625	1,244
Annual allowance for travel and accommodation expenses	0	375	0
	31,923	45,232	50,930

**21. RELATED PARTY TRANSACTIONS (continue)**

**Key Management Personnel (KMP) Compensation Disclosure**

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

	2021 Actual	2020 Actual
	\$	\$
Short-term employee benefits	396,724	482,950
Post-employment benefits	48,658	50,751
Other long-term benefits	47,585	42,775
	492,967	576,476

*Short-term employee benefits*

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

*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.

**Transactions with related parties**

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

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

The following transactions occurred with related parties:

	2021 Actual	2020 Actual
	\$	\$
Purchase of goods and services	13,685	10,426
<b>Amounts payable to related parties:</b>		
Trade and other payables	13,685	10,426

**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*

A close family member of KMP was employed by the Shire under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

*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.

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**22. RATING INFORMATION**

(a) Rates

**RATE TYPE**  
**Differential general rate / general rate**

	Rate in \$	Number of Properties	2020/21 Actual Rateable Value \$	2020/21 Actual Rate Revenue \$	2020/21 Actual Interim Rates \$	2020/21 Actual Back Rates \$	2020/21 Actual Total Revenue \$	2020/21 Budget Rate Revenue \$	2020/21 Budget Interim Rate \$	2020/21 Budget Back Rate \$	2020/21 Budget Total Revenue \$	2019/20 Actual Total Revenue \$
Gross rental valuations GRV	0.08898	341	2,489,700	345,433	0	0	345,433	599,094	0	0	599,094	584,661
Unimproved valuations UV	0.004638	201	25,073,069	227,733	(620)	0	227,113	598,951	0	0	598,951	597,621
Sub-Total		542	27,562,769	573,166	(620)	0	572,546	1,198,045	0	0	1,198,045	1,182,282
<b>Minimum payment</b>												
Gross rental valuations GRV	1.013	381	6,331,824	563,406	0	0	563,406	345,433	0	0	345,433	357,589
Unimproved valuations UV	1.133	225	129,828,856	636,039	0	0	636,039	231,132	0	0	231,132	232,265
Sub-Total		606	136,160,680	1,199,445	0	0	1,199,445	576,565	0	0	576,565	589,854
<b>Total amount raised from general rate</b>		1,148	163,723,449	1,772,611	(620)	0	1,771,991	1,774,610	0	0	1,774,610	1,772,136
												1,772,136

**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.



22. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	5/11/2020	0.00	0.00%	8.00%
<b>Option Two</b>				
First instalment	5/11/2020	5.00	5.50%	8.00%
Second instalment	5/01/2021	5.00	5.50%	8.00%
Third instalment	8/03/2021	5.00	5.50%	8.00%
Fourth instalment	10/05/2021	5.00	5.50%	8.00%

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Interest on unpaid rates	8,953	5,000	14,414
Interest on instalment plan	3,740	4,000	6,113
Charges on instalment plan	2,455	3,500	3,750
	15,148	12,500	24,277

23. RATE SETTING STATEMENT INFORMATION

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

Note	2021 (1 July 2021 Carried Forward) \$	2021 (1 July 2020 Carried Forward) \$	2020 (30 June 2020 Carried Forward) \$
10(a)	(57,895)	0	0
	21,102	20,000	19,768
	17,471	0	12,146
	(13,887)	0	(6,440)
	0	(46,881)	0
10(a)	4,761	10,099	19,716
10(b)	1,474,452	1,015,968	1,557,445
	1,446,004	999,186	1,602,635

Non cash amounts excluded from operating activities

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

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

Adjustments to net current assets

Less: Reserves - cash/financial asset backed	4	(3,321,623)	(3,104,959)	(3,065,456)
Less: Financial assets at amortised cost - self supporting loans	5(a)	(28,163)	0	(41,978)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	16(a)	63,574	63,583	76,954
- Current portion of lease liabilities		17,002	0	0
- Employee benefit provisions		223,802	222,702	202,700
<b>Total adjustments to net current assets</b>		<b>(3,045,408)</b>	<b>(2,818,674)</b>	<b>(2,827,780)</b>

Net current assets used in the Rate Setting Statement

Total current assets		6,021,498	3,553,408	5,805,245
Less: Total current liabilities		(1,426,765)	(734,734)	(718,282)
Less: Total adjustments to net current assets		(3,045,408)	(2,818,674)	(2,827,780)
<b>Net current assets used in the Rate Setting Statement</b>		<b>1,549,325</b>	<b>0</b>	<b>2,259,183</b>

## 24. FINANCIAL RISK MANAGEMENT

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

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2021</b>					
Cash and cash equivalents	0.40%	3,023,520	1,510,872	1,512,398	250
Financial assets at amortised cost - term deposits	0.25%	2,618,780	2,618,780	0	0
<b>2020</b>					
Cash and cash equivalents	0.49%	2,286,091	0	2,285,841	250
Financial assets at amortised cost	0.77%	3,109,140	3,109,140	0	0

#### Sensitivity

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

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

	2021	2020
	\$	\$
	15,124	22,858

\* 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 16(b).

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and Other Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2021 and 30 June 2020 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2021</b>					
Rates receivable	0.00%	0.00%	0.00%	0.00%	
Expected credit loss	4,811	74,415	36,973	32,516	148,715
Gross carrying amount	0	0	0	0	0
Loss allowance					
<b>30 June 2020</b>					
Rates receivable	0.00%	0.00%	0.00%	0.00%	
Expected credit loss	147,043	38,800	2,067	15,764	203,674
Gross carrying amount	0	0	0	0	0
Loss allowance					

The loss allowance as at 30 June 2021 and 30 June 2020 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 2021</b>					
Trade and other receivables	0.00%	0.00%	0.00%	0.00%	
Expected credit loss	363	1,108	8,238	139,199	148,908
Gross carrying amount	0	0	0	0	0
Loss allowance					
<b>30 June 2020</b>					
Trade and other receivables	0.00%	0.00%	0.00%	0.00%	
Expected credit loss	88,445	831	223	7,445	96,944
Gross carrying amount	0	0	0	0	0
Loss allowance					

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 16(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2021</b>					
Payables	538,096	0	0	538,096	538,096
Borrowings	73,806	369,031	158,067	600,904	556,293
Contract liabilities	427,637	0	0	427,637	427,637
Lease liabilities	18,703	32,730	0	51,433	46,756
	<u>1,058,242</u>	<u>401,761</u>	<u>158,067</u>	<u>1,618,070</u>	<u>1,568,782</u>
<b>2020</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	0	0	46,881	46,881
	<u>370,319</u>	<u>380,562</u>	<u>220,853</u>	<u>971,734</u>	<u>938,759</u>

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**25. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

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

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

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

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

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

**c) Rounding off figures**

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

**d) Comparative figures**

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

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**e) Budget comparative figures**

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

**f) Superannuation**

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

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

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

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

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

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

**h) Fair value hierarchy**

AASB 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 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 end of the reporting period.

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**26. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b>            To provide a decision making process for the efficient allocation of scarce resources.</p>	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.
<p><b>GENERAL PURPOSE FUNDING</b>            To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue.
<p><b>LAW, ORDER, PUBLIC SAFETY</b>            To provide services to help ensure a safer community.</p>	Supervision of various by-laws, fire prevention, emergency services and animal control.
<p><b>HEALTH</b>            To provide an operational framework.</p>	Food quality, building, sanitation and sewerage.
<p><b>EDUCATION AND WELFARE</b>            To provide services to disadvantaged persons, the elderly, children and youth.</p>	Provision of youth support, co-ordinate school holiday programs and support education programs.
<p><b>HOUSING</b>            To ensure adequate staff housing.</p>	Maintenance of staff rental housing.
<p><b>COMMUNITY AMENITIES</b>            Provide services required by the community.</p>	Rubbish collection services, operation of waste management facility, noise control, administration of town planning scheme, maintenance of cemetery and maintenance of public conveniences.
<p><b>RECREATION AND CULTURE</b>            To establish and maintain efficient infrastructure and resources which will help the social wellbeing of the community.</p>	Maintenance and provision of halls, recreation centre and various reserves, operation of library services.
<p><b>TRANSPORT</b>            To provide effective and efficient transport services to the community.</p>	Construction and maintenance of streets, roads, bridges, cleaning of streets, depot maintenance.
<p><b>ECONOMIC SERVICES</b>            To help promote the Shire and improve economic wellbeing.</p>	Assistance to tourism, area promotion, building control, noxious weeds, vermin control.
<p><b>OTHER PROPERTY AND SERVICES</b>            To help promote the Shire and improve economic wellbeing.</p>	Assistance to tourism, area promotion, building control, noxious weeds, vermin control.

27. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.40	4.51	4.56
Asset consumption ratio	0.94	0.95	0.61
Asset renewal funding ratio	N/A	N/A	N/A
Asset sustainability ratio	0.45	0.47	0.55
Debt service cover ratio	4.26	6.10	15.11
Operating surplus ratio	(0.46)	(0.40)	(0.25)
Own source revenue coverage ratio	0.44	0.44	0.49

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$