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Shire of
Nannup
rest • connect • grow



Annual Report 2017/18

Table of Contents

Introduction.....	4
Vision Statement.....	4
Mission Statement.....	4
Values.....	4
Brief Background on Nannup	7
Council Structure.....	10
Nannup Shire Councillors	11
Shire President's Report.....	13
Chief Executive Officer's Report.....	15
Shire of Nannup Organisational Structure	17
Corporate Services Department.....	18
Works & Services Department	23
Statutory Compliance Report.....	25
Competitive Neutrality – Business Activities	25
The Financial Management Review	25
Audit Regulation 17 Review.....	25
Freedom of Information Act 1992 - Information Statement.....	25
Public Interest Disclosure.....	26
Disability Access and Inclusion Plan.....	26
State Records Act 2000 – Record Keeping Plan	26
Overview of Integrated Planning	26
Shire of Nannup - Audited Financial Statements	28
Independent Auditors Report.....	81

Introduction

Council is pleased to present the Annual report for the Shire of Nannup for the financial year ending June 30, 2018. This report is prepared in accordance with the requirements of Section 5.53 of the Local Government Act 1995, relevant Standards and Regulations.

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

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

Vision Statement

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

Mission Statement

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

Values

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

Honesty in our dealings

Integrity in our actions

Consistency in decision making

Teamwork in our operations

Respect for others and their decisions

Caring for people in our community

Commitment to decisions and roles

Responsive to the needs of other

Effective communication with all

Our Community Statement

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

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

Our Community

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

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

Our Economy

Sustainability is the key to Nannup's future

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

Our Built Environment

Keep the charm and fabric of Nannup

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



Our Natural Environment

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

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

Our Community Leadership

We listen to our community leaders

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

Our Council Leadership

A listening leadership that provides for and represents all

- To do what is right and fair for the people



Brief Background on Nannup

Location



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

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

The Past

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

Settlers quickly looked beyond their immediate vicinity for additional grazing lands. One of the earliest, Thomas Turner of Augusta, followed the Blackwood River towards present day Nannup in 1834. Several expeditions followed in the 1840s, with consistent reports of good grasses. It would appear that some limited squatting commenced in the district during the early 1850's and considerable selections of land had been taken by 1860. The town was officially gazetted in 1890. The predominant industries of timber and agriculture exist to the present day, with recent diversification into tourism.

The Present

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

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

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

- Nannup Music Festival – Council has listened to this group in its need to have a dedicated space that it can use to focus on upcoming festivals and provide continuity and assurance for its members. To this end, included in the upcoming budget is a Self-Supporting Loan that will enable the group to create this permanency within the town. In turn this can allow the rest of the community to gain exposure and sustainability through the returned custom of the supporters to the Music Festival.
- The installation of the Clock Tower. While this is a private venture, Council is proud to offer support wherever possible and to see this magnificent tourist venture come to fruition. The owners of this venture are to be commended for their forethought and commitment to the town of Nannup in using their own funds to enable this project to be completed.
- Nannup Timber Mill – Council acknowledges that this industry is a large employer of Nannup residents. While availability of timber and ensuring sustainability in this industry continues to be volatile it is pleasing to note Federal Governments commitment to Nannup's timber mill with the invitation for Nannup Timber Processing Pty Ltd to submit a full business case in order to gain support for a veneering plant. In terms of sustainability for the town of Nannup this would be a major boost.
- Nannup's agricultural community remains known for the quality of produce grown within this region. As well as the traditional farming pursuits of beef, dairy, sheep, sustainable timber and fresh produce, Nannup is now being acknowledged for the boutique farming industries that have been introduced to this area. These include honey, aquaculture ventures, chestnuts, free range eggs, cheese production and hemp to name a few. Given this wide array of different farming ventures it is little wonder Nannup is known as a Foodbowl both domestically and internationally.
- Nannup's Trails for walkers, mountain bikers and riders. Soon there will be a dedicated horse trail and this along with all the other types of trails will offer visitors the opportunity to experience all that Nannup's natural environment has to offer. Nannup can be considered a hinterland for the vast

coastal areas within the South West

corner of Western Australia and one that can offer a different experience to that of our neighbouring coastal communities.

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

The Future

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

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

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



Council Structure

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

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

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

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

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

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

- Audit Advisory Committee (8 councillors)
- Risk Management Advisory Committee (2 councillors)
- Bush Fire Advisory Committee (2 councillors)
- Local Emergency Management Advisory Committee (2 councillors)
- Australia Day Advisory Committee (5 councillors)

Nannup Shire Councillors

SHIRE PRESIDENT: Cr Tony Dean		
WARD:	Central	
RETIRING:	2019	
ADDRESS:	Lot 139 Vasse Highway Nannup WA 6275	
PHONE:	Ph/Fax 9756 0680	
EMAIL:	shirep@nannup.wa.gov.au	
DEPUTY SHIRE PRESIDENT: Cr Robin Mellema		
WARD:	South	
RETIRING:	2021	
ADDRESS:	176 Blythe Road Nannup WA 6275	
PHONE:	Ph/Fax 9756 1156	
EMAIL:	deputy.president@nannup.wa.gov.au	
COUNCILLOR: Cr Bob Longmore		
WARD:	North	
RETIRING:	2019	
ADDRESS:	15 Blackwood River Drive Nannup WA 6275	
PHONE:	Ph/Fax 9756 0308	
EMAIL:	Cr.Longmore@nannup.wa.gov.au	
COUNCILLOR: Cr Patricia Fraser		
WARD:	South	
RETIRING:	2019	
ADDRESS:	PO Box 14, Nannup WA 6275	
PHONE:	Ph/Fax 9756 1112	
EMAIL:	Cr.Fraser@nannup.wa.gov.au	

COUNCILLOR: Cr Chris Buckland

WARD: Central
RETIRING: 2021
ADDRESS: 117 Warren Road Nannup WA 6275
PHONE: Ph: 97560590
EMAIL: Cr.Buckland@nannup.wa.gov.au

**COUNCILLOR: Cr Norm Steer**

WARD: Central
RETIRING: 2019
ADDRESS: 30b Walter Road Nannup WA 6275
PHONE: Ph/Fax 9756 1597
EMAIL: Cr.Steer@nannup.wa.gov.au

**COUNCILLOR: Cate Stevenson**

WARD: North
RETIRING: 2021
ADDRESS: PO Box 306 Nannup WA 6275
PHONE: 9756 0250
EMAIL: Cr.Stevenson@nannup.wa.gov.au

**COUNCILLOR: Cr Vicki Hansen**

WARD: North
RETIRING: 2021
ADDRESS: PO Box 349 Nannup WA 6275
PHONE: 9756 0165
EMAIL: Cr.Hansen@nannup.wa.gov.au



Shire President's Report

I am pleased to present the Annual Report in my capacity as Shire President to the residents of the district on the activities of the Shire of Nannup during the course of the 2017/2018 financial year.

This financial year continued as a year of consolidation with Council imposing a rate increase on-average of 4.78%. This was seen to be an acceptable increase in the economic climate at the time. I can assure ratepayers that Councillors are extremely mindful of external factors when setting the rate in the dollar but are cognisant of the fact that the normal standard of services must be delivered to all residents and yet still recognise the need to undertake projects that will benefit the district as a whole. I take this opportunity to congratulate our Corporate Services Finance Team, for the work that they do in managing the finances for the Shire. The compliance responsibilities associated in managing a local government authority are significant and this is evidenced by the financial reports provided in this document.

In the year under review Council completed Phase III of the Main Street development/beautification project from Cross Street to Kearney Street. This was the final phase of the project which was again managed in-house. I sincerely thank Council's works crew for a job well done. By managing the project in-house, it saved Council considerable dollars in not having to appoint a designated Project Manager.

Projects undertaken within this financial year had a degree of community collaboration within. This is always pleasing to be part of as it ensures that Council is continuing to listen to its community and look at projects that are important to the community in the first instance. One such project was the Nannup Pump Track. A grant was received to support this project from the Community Crime and Prevention Fund. This 6-month project was completed as a bi-partisan project with Nannup Council and the Nannup Mountain Bike Club and is seen as an achievement in that approximately 50 people came together to participate in this project. Congratulations to all that are included within this group and Council envisages the track being relevant to users for many years to come as a result of this collaboration and total input from end users.

Council also received funding from the Department of Innovation, Science and Economic Development for the installation of CCTV infrastructure at the Recreation Precinct. The installation of this system is due to be installed within the latter half of 2018 and should ensure that community safety is paramount for all users of these facilities. Nannup is considered a safe community to live within and this infrastructure is seen not as a necessary requirement to ensure safety more as a way of increasing the level of safety available to all within our community.

Funding was received for an Activation Grant at the Recreation Centre through the Department of Local Government, Sport and Cultural Industries Stay of Your Feet program. This will see the opportunity for community members to partake in a range of activities at the Recreation Centre that they may not have previously considered. The program for this Activation movement is currently being rolled out and I would encourage all community members to look at the options and possibly consider something outside of your comfort zone that you have not tried previously. For more information about activities planned please contact the Councils' Administration team.

It is pleasing to report that the Shire of Nannup maintains a healthy suite of Reserve Funds for specific areas of Council's operations and as at 30 June 2018 this balance was \$2.017M. These funds are set aside to minimize the impact on annual Budgets and where appropriate, Council accesses these funds for the specific purpose that they are set aside for.

Examples of the Reserves are Plant Replacement, Asset Management, Waste Management, Office Equipment, Aged Housing and Long Service Leave.

As always, I would like to thank my fellow Councillors for their support during the year. The Shire of Nannup should be comforted by the fact that they are supported by a dedicated and cohesive cohort of Councillors. From my perspective this support makes my position as Shire President an enjoyable one. Naturally there have been challenging issues that Council has been required to face throughout the year however with a consultative approach these challenges have been able to be faced and Council has been able to achieve the desired outcomes for the community.

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

In my Annual Report I always make a point to mention and thank the many volunteers in our community who commit their valuable time for their particular organisations and associations. Whether it be our two wonderful Festival volunteers or those involved in sporting or community organisations, the contributions that you make are invaluable and appreciated by the whole community.

Finally, it was with sadness that Council said goodbye to the outgoing CEO, Mr. Peter Clarke. Within the 3-year term that Peter held this position a number of projects were brought to fruition. Peter's steady leadership played an integral part with this and I would like to thank him for this. However, with every goodbye there is also a welcome and both myself and Council would like to welcome Mr. David Taylor and his wife to our community. David has been busy since he arrived in April this year, getting to know many of Nannup's community members and familiarizing himself to the ways of the Nannup community.



Tony Dean

Shire President



Chief Executive Officer's Report

I present this Annual Report to outline the activities of the Shire of Nannup for the 2017/2018 financial year.

I would like to mention that I commenced this role in April 2018 and all of this year's successes are thanks to the previous Chief Executive Officer, Peter Clarke and the team at the Shire of Nannup in their tireless efforts and ongoing support towards carrying out Council's goals.

I can only echo the message from the Shire President in that the Shire has continued a year of consolidation with many challenges being faced such as the changing Government Grants and increasing costs. Council and staff are continuously working towards minimising the impacts that any of these changes may have.

The review of the Local Government Act 1995 is continuing with the McGowan Government striving to deliver the new Act by 2020. The review is a two stage process and this may well see changes, hopefully for the better, as the legislation is now some 20 years old and outdated for these modern times. Minister Templeman has already engaged with the industry in a positive light and we look forward to working with him during his tenure in the Local Government portfolio.

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

At the very end of the year, Council were fortunate to receive a grant towards Fire Mitigation Activities which involved projects aimed at reducing fuel loads to protect properties and strategic assets within the community.

Before closing, I would like to thank the Shire President and Councillors for the opportunity and warm welcome they have given me at the Shire of Nannup. I look forward to working with all involved and what the future holds.



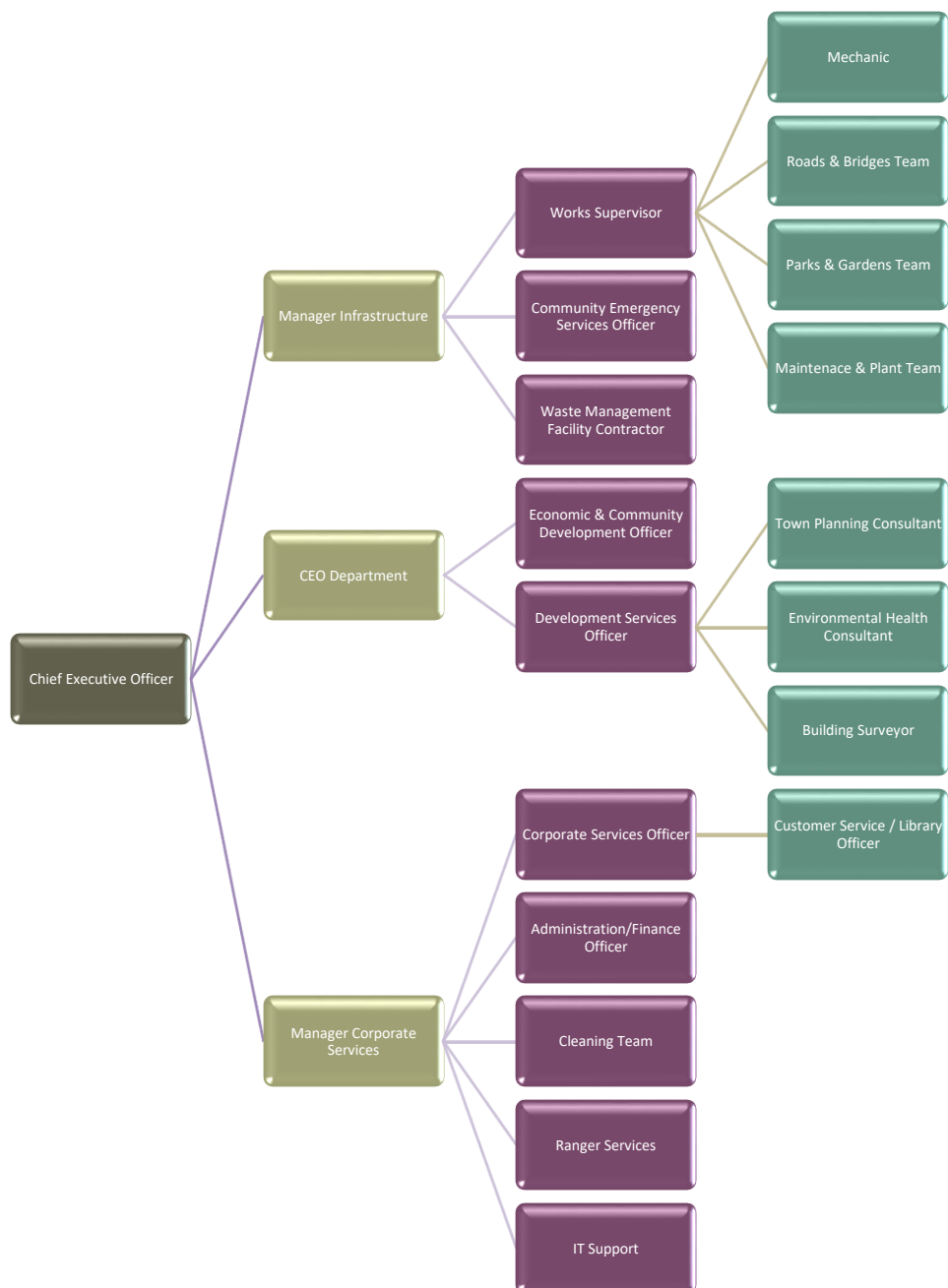
David Taylor
Chief Executive Officer





Shire of Nannup Organisational Structure

As at 30 June 2018



Corporate Services Department

It is with pleasure that I present my report to the Electors in my capacity as Manager of Corporate Services for the Shire of Nannup by providing a brief overview of the financial position of Council as at 30 June 2018.

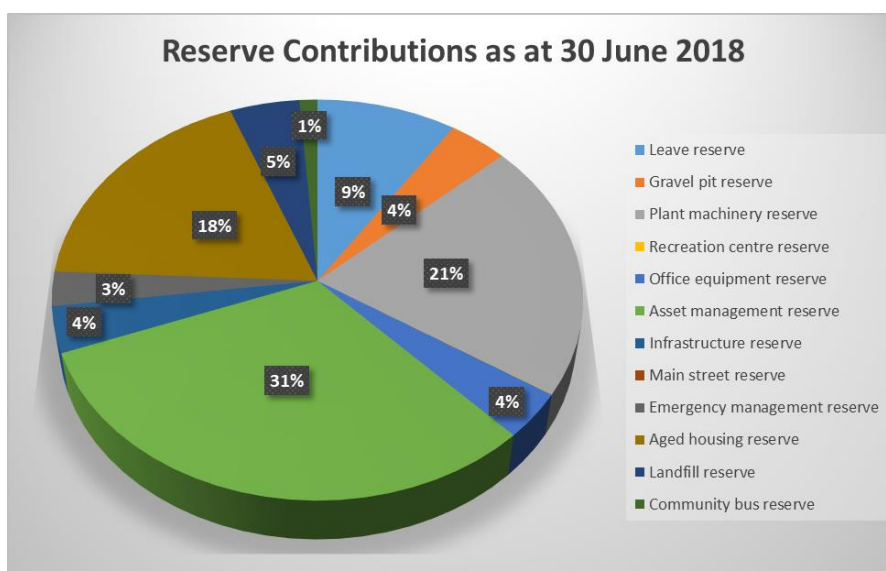
Financial Summary

Council's auditor, AMD Chartered Accountants have completed an audit of Council's Financial Statements for the period 1 July 2017 to 30 June 2018 and have submitted an Independent Auditors Report to that effect. A copy of this report can be found in the final pages of this document in addition to the Annual Financial Statements.

Reserve Funds

In line with Council's *Community Strategic Plan 2017-2027* a Reserve Portfolio is managed. This portfolio is invested through term deposit structures designed to achieve optimum return on investment as identified in line with Council's Investment Policy FNC 7. As at June 30, 2018 there has been an 26% increase in the overall funds held within the Reserve portfolio since the beginning of this financial year. This increase is largely inflated due to the Aged Housing contribution received from Danjangerup Cottages during this period however if we remove this contribution there has still been an overall increase in these funds of 4%.

As at 30 June 2018, Council held within this Reserve Portfolio \$2,017,695. This is contained within twelve different Reserve accounts. The individual breakdown of these reserve accounts is shown within the following chart.



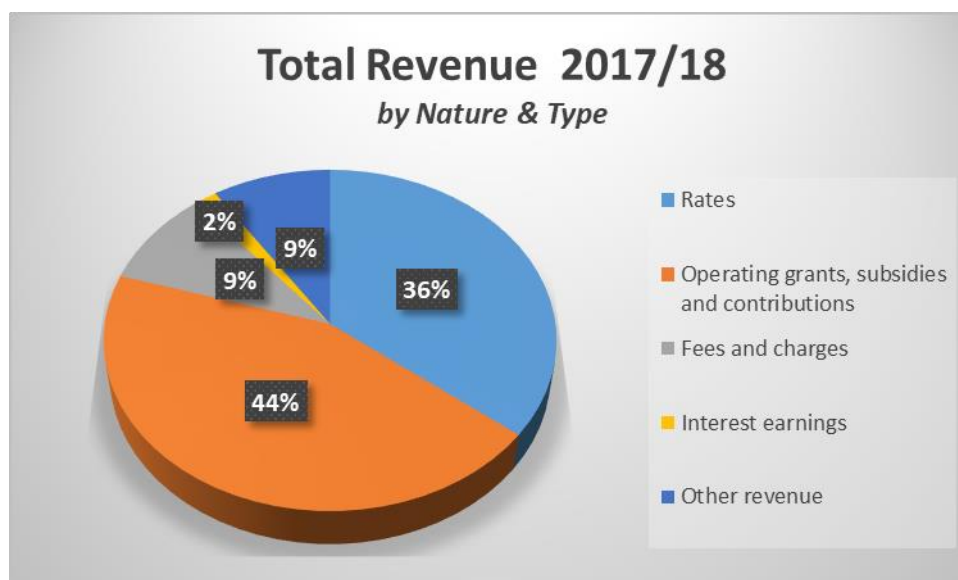
Revenue

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

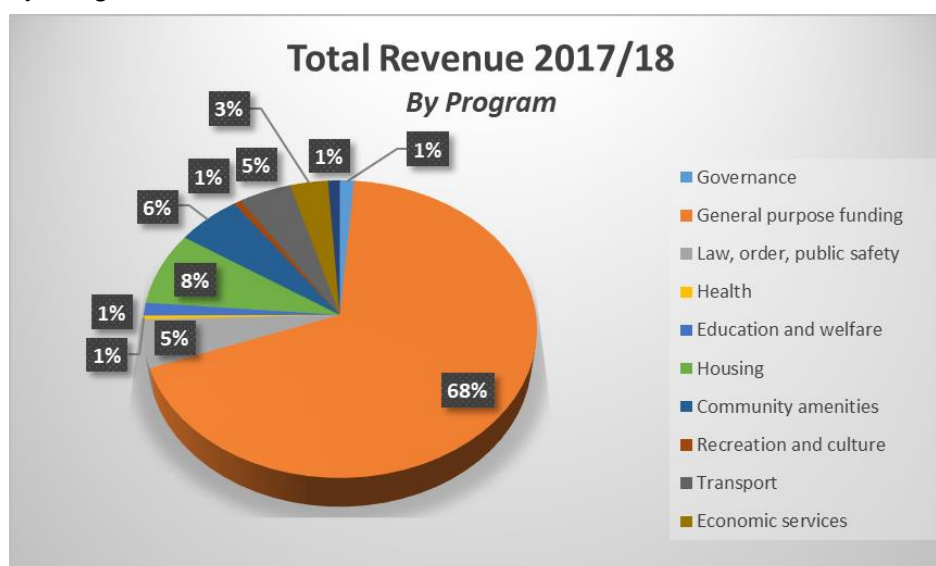
Grant funding comes from both State and Federal Government departments covering a variety of different funding opportunities. One of these funding bodies that Council would like to acknowledge is the Department of Sport and Recreation. Their ongoing funding support through the Kidsport program ensures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

Unfortunately, the Shire of Nannup is restricted in the ability to raise rates on 85% of land within our boundaries as it is contained within state forests and as such is non rateable land. Despite this limitation Council is required to ensure that adequate revenue is achieved annually to match operating expenditure, capital growth within the community and those services are provided to an acceptable standard.

The graph below details the breakdown of the income received for the 2017/18 year by Nature and Type:



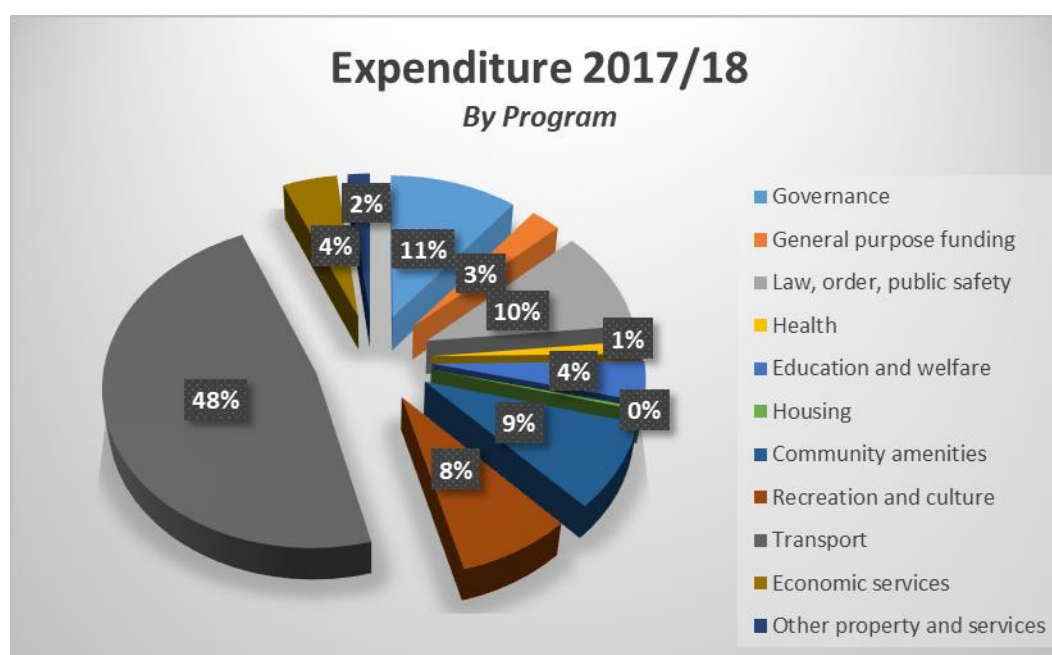
Income received by Program:



Wherever possible Council strives to maintain revenue escalation somewhere between the Australian Bureau of Statistics Consumer Price Index (CPI) and the Western Australian Local Government Association's Local Government Cost Index (LGCI). The latter index is an indicator developed to more accurately reflect increases applicable to this industry specific sector.

Expenditure

Council's operating expenditure for 2017/18 is shown below by program. Transport continues to be the schedule that the largest expenditure for each year. Primarily this is as a result of maintaining our vast road network within the Shire of Nannup. Within 2017/18 this included upgrades to Balingup, Bridgetown, Fouracres, Pneumonia and King Roads to name a few. A full review of road expenditure is included within the Works and Services report.



Rating

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

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

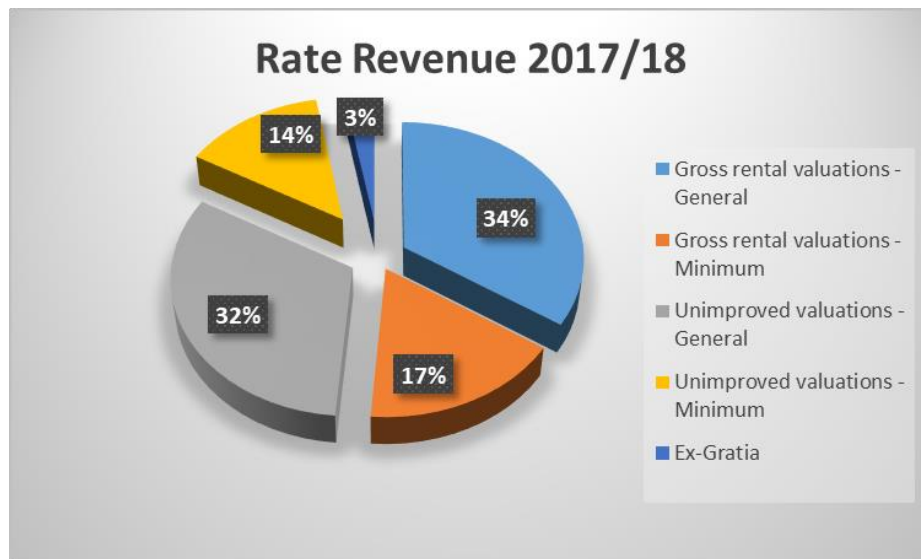
Gross Rental Values are usually applied to properties within town sites as well as Special Rural lots. These properties are revalued every three years. The last revaluation to this rating group was within the 2015/16 financial year. The next major revaluation to this class will occur in the 2018/19 financial year.

Unimproved Values are applied to rural farmland and mining tenements and are revalued annually.

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

Each year Council sets its rate budget to generate overall revenue for each type of rating and is sympathetic to those ratepayers where increases are higher than the district average. As a general rule this will occur when valuations are higher on an individual property than the average increase to properties. Unfortunately, there is little that Council can do when this occurs except to encourage ratepayers who are unhappy with their valuation to appeal to the Valuer General. For information on the process of doing this please contact staff within the administration office.

Rate Revenue 2017/18	
Rating Type	Rate in Dollar Applied
Gross Rental Value – General	\$0.0817
Unimproved Value - General	\$0.004257
Gross Rental Value – Minimum Rated	\$870 per property
Unimproved Value – Minimum Rated	\$1,050 per property
Ex-Gratia Properties	\$0.004257



Total rate revenue raised for 2017/18 for the Shire of Nannup is \$1,591,879.

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

Tracie Bishop

Manager Corporate Services





Works & Services Department

The Works and Service Department were kept very busy in the 2017/18 financial year completing road improvement and upgrade work as well as maintenance of road infrastructure and town maintenance both in the Nannup town site and the outlying district.

Works in Nannup town site included the third and final stage of the Main Street Upgrade and sealing a portion of Dunnet Road. These projects also included drainage, parking, kerbing, bitumen seal and new footpath paving in the Main Street and widening, sealing and kerbing 200 metres of Dunnet Road.

Road improvement works completed outside the town were Blackspot section improvement on Balingup Road, Culvert replacement on Bridgetown Rd, further sealing on Fouracres Rd, continued gravel improvement on Pneumonia Rd, reconstruction and sealing of King Rd and Chalwell Rd and re sealing Cundinup South Rd. General road maintenance was also carried out which included road grading, drainage rehabilitation, shoulder rehabilitation, verge clearing, signs and guide posts maintenance, bitumen repairs and removal of fallen trees. Other works included but were not restricted to bridge maintenance, footpath repair, weed control, street tree maintenance, building maintenance, firebreaks, cemetery works and fire emergency support.

Our Town Maintenance/Gardens team continued to maintain and improve Councils parks, gardens, River Foreshore, the Cemetery and street verges to a high standard. They assisted with preparation for events and prepared gardens and carried out bulb planting for the Flower and Garden Festival.

Council Road Construction works included within 2017/18 budget were as follows:

Road	Works completed	Cost \$000	Funding Body
Chalwell Road	Construction	\$75	Roads to Recovery
Pneumonia Road	Construction	\$150	Roads to Recovery
King Road	Reconstruct and Seal	\$100	Roads to Recovery
Dunnet Road	Widen, reconstruct and seal	\$120	Roads to Recovery
Balingup Road Blackspot	Widen Corridor improve signage/road delineation	\$517	Federal Blackspot
Cundinup South Road	Seal Correction	\$105	Council and Regional Road Group
Fouracres Road	Reconstruct and Seal	\$120	Council and Regional Road Group
Main Street Stage 3	Drainage & Aesthetics	\$237	Council and Regional Road Group
Bridgetown Road	Replace old Culverts x 2	\$99	Council and Regional Road Group

As part of Council's commitment to maintain a modern, safe and reliable fleet the Plant Replacement Program allowed for replacement of six light vehicles including the Cleaners Ute, a new equipped water cartage tank and Ride on Mower in 2017/18.

The Works and Services Department employed 12 full time staff consisting of 1 x Works Supervisor, 2 x Leading Hands, 1 x Leading Hand Horticulturist, 1 x Plant Mechanic, 1 x Gardener, 1 x Handy Man and 5 x Plant Operators.



Jonathan Jones
Manager Infrastructure



Statutory Compliance Report

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

Competitive Neutrality – Business Activities

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

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

The Financial Management Review

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

This review was completed in April 2016 and reported to Council at the April 2016 Ordinary Meeting of Council.

Audit Regulation 17 Review

Guidelines released from the Department of Local Government, Sport and Cultural Industries has revised the timeframes surrounding this audit. An amendment to Regulation 17(2) requires the CEO to undertake a review of audit systems and procedures no less than once in every three financial years. This change will introduce consistency in CEO responsibilities to review financial management and audit systems and procedures in a timely manner.

This review was last carried out in June 2016 and based on the revised timeframes, will now be required to be reviewed by 30 June 2019.

Freedom of Information Act 1992 - Information Statement

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



Public Interest Disclosure

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

No disclosures were received in relation to the Shire of Nannup during 2017/18.

Disability Access and Inclusion Plan

The Disability Services Amendment Act 2004 introduced a requirement for Councils to produce a Disability Access and Inclusion Plan. Council submitted a revised Disability Access and Inclusion Plan to the Disability Services Commission who accepted the Plan. Council reviewed the updated plan on 22 June 2017. The new Disability and Inclusion Plan is for the period 2017 – 2020 with the new review due July 2020.

State Records Act 2000 – Record Keeping Plan

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

Overview of Integrated Planning

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

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

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

Projects undertaken in the 2017/18 financial year were ones that were identified in the current Strategic Community Plan 2017/2027.

As previously stated, the financial year 2017/18 continued as a period of consolidation as a result of the high level of capital expenditure and labour used within the 2015/16 year. This further allowed Council the opportunity to reflect on what has been achieved within the previous very busy period and analyse where to from here. This analysis was then carried forward into the reviews of the corporate documents to ensure that capital project planning for the subsequent four years could be assessed on merit and community expectations. This process is a fluid process that will continue to evolve based on the current expectations of the community. For this reason, Council continues to encourage all residents of the Shire of Nannup to firstly ensure that they are aware of what is currently included within these documents and then to actively participate in the review and construction of the plans for the future.

Employee Remuneration

During 2017/18 the number of employees whose remuneration exceeded \$100,000 (excluding benefits in kind) was as follows:

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

Complaints under Section 5.121 of the Local Government Act 1995

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



Shire of Nannup - Audited Financial Statements

SHIRE OF NANNUP

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018

TABLE OF CONTENTS

Statement by Chief Executive Officer	29
Statement of Comprehensive Income by Nature or Type	30
Statement of Comprehensive Income by Program	31
Statement of Financial Position	32
Statement of Changes in Equity	33
Statement of Cash Flows	34
Rate Setting Statement	35
Notes to and forming part of the Financial Report	37
Independent Auditor's Report	81

COMMUNITY VISION

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

Principal place of business:
15 Adam Street Nannup WA 6275

**SHIRE OF NANNUP
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

*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 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Nannup at 30 June 2018 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 15th day of November 2018

— 
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	19(a)	1,591,879	1,583,577	1,534,244
Operating grants, subsidies and contributions	2	1,974,541	924,296	2,710,346
Fees and charges	2	413,862	383,174	378,047
Interest earnings	2(a)	78,231	45,761	33,082
Other revenue	2(a)	414,901	39,422	41,164
		4,473,414	2,976,230	4,696,883
Expenses				
Employee costs		(1,708,033)	(1,980,270)	(1,780,976)
Materials and contracts		(1,104,367)	(1,514,453)	(1,243,874)
Utility charges		(106,108)	(95,550)	(109,083)
Depreciation on non-current assets	9(b)	(1,386,087)	(1,535,198)	(1,480,047)
Interest expenses	2(a)	(3,423)	(3,661)	(5,988)
Insurance expenses		(155,567)	(168,460)	(150,217)
Other expenditure		(343,971)	(11,200)	(200)
		(4,807,556)	(5,308,792)	(4,770,385)
		(334,142)	(2,332,562)	(73,502)
Non-operating grants, subsidies and contributions	2	1,384,225	1,392,850	975,687
Profit on asset disposals	9(a)	42,474	228,000	5,125
(Loss) on asset disposals	9(a)	(5,011)	(134,000)	0
(Loss) on revaluation of Infrastructure - Parks & Ovals	8(b)	0	0	(22,110)
Net result		1,087,546	(845,712)	885,200
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(1,709,782)	0	(1,690,490)
Total other comprehensive income		(1,709,782)	0	(1,690,490)
Total comprehensive income		(622,236)	(845,712)	(805,289)

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Governance	2(a)	57,125	0	0
General purpose funding		3,042,889	2,306,499	3,616,996
Law, order, public safety		233,312	199,226	244,572
Health		18,564	8,750	14,962
Education and welfare		62,165	29,775	146,908
Housing		358,300	21,320	16,085
Community amenities		259,246	214,467	218,741
Recreation and culture		30,847	25,082	31,467
Transport		210,884	111,784	368,111
Economic services		152,662	24,328	27,585
Other property and services		47,420	35,000	11,457
		4,473,414	2,976,231	4,696,884
Expenses				
Governance	2(a)	(532,887)	(924,191)	(425,090)
General purpose funding		(127,274)	(74,441)	(149,229)
Law, order, public safety		(508,506)	(377,786)	(449,690)
Health		(65,004)	(60,575)	(62,394)
Education and welfare		(201,040)	(110,107)	(183,069)
Housing		(14,559)	(17,753)	(19,029)
Community amenities		(440,727)	(413,632)	(365,286)
Recreation and culture		(397,760)	(282,283)	(427,444)
Transport		(2,382,135)	(1,867,933)	(2,335,867)
Economic services		(226,540)	(154,193)	(140,674)
Other property and services		92,299	(1,022,238)	(206,626)
		(4,804,133)	(5,305,132)	(4,764,398)
Finance Costs				
General purpose funding	2(a)	240	0	(1,014)
Community amenities		(3,663)	(3,661)	(4,853)
Transport		0	0	(121)
		(3,423)	(3,661)	(5,988)
		(334,142)	(2,332,562)	(73,502)
Non-operating grants, subsidies and contributions	2	1,384,225	1,392,850	975,687
Profit on disposal of assets	9(a)	42,474	228,000	5,125
(Loss) on disposal of assets	9(a)	(5,011)	(134,000)	0
(Loss) on revaluation of Infrastructure - Parks & Ovals	8(b)	0	0	(22,110)
		1,421,688	1,486,850	958,702
Net result		1,087,546	(845,712)	885,200
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(1,709,782)	0	(1,690,490)
Total other comprehensive income		(1,709,782)	0	(1,690,490)
<i>This statement is to be read in conjunction with the accompanying notes.</i>		(622,236)	(845,712)	(805,289)

STATEMENT OF FINANCIAL POSITION**AS AT 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,826,280	3,283,036
Trade and other receivables	5	336,898	159,288
Inventories	6	6,240	6,240
TOTAL CURRENT ASSETS		4,169,418	3,448,564
NON-CURRENT ASSETS			
Other receivables	5	117,786	120,683
Property, plant and equipment	7	12,336,267	13,958,277
Infrastructure	8	96,680,504	96,093,487
TOTAL NON-CURRENT ASSETS		109,134,557	110,172,447
TOTAL ASSETS		113,303,975	113,621,010
CURRENT LIABILITIES			
Trade and other payables	11	438,903	93,110
Current portion of long term borrowings	12(a)	17,429	15,460
Provisions	13	364,580	405,645
TOTAL CURRENT LIABILITIES		820,912	514,215
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	33,132	51,516
Provisions	13	51,034	34,145
TOTAL NON-CURRENT LIABILITIES		84,166	85,661
TOTAL LIABILITIES		905,078	599,876
NET ASSETS		112,398,898	113,021,134
EQUITY			
Retained surplus		32,365,402	31,689,805
Reserves - cash backed	4	2,017,695	1,605,746
Revaluation surplus	10	78,015,801	79,725,583
TOTAL EQUITY		112,398,898	113,021,134

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED	CASH	REVALUATION	
		SURPLUS	BACKED	SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 2016		30,931,739	1,478,612	81,416,073	113,826,424
Comprehensive income					
Net result		885,200	0	0	885,200
Changes on revaluation of assets	10	0	0	(1,690,490)	(1,690,490)
Total comprehensive income		885,200	0	(1,690,490)	(805,290)
Transfers from/(to) reserves	4	(127,134)	127,134	0	0
Balance as at 30 June 2017		31,689,805	1,605,746	79,725,583	113,021,134
Comprehensive income					
Net result		1,087,546	0	0	1,087,546
Changes on revaluation of assets	10	0	0	(1,709,782)	(1,709,782)
Total comprehensive income		1,087,546	0	(1,709,782)	(622,236)
Transfers from/(to) reserves	4	(411,949)	411,949	0	0
Balance as at 30 June 2018		32,365,402	2,017,695	78,015,801	112,398,898

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$	\$
Receipts				
Rates		1,534,686	1,572,505	1,539,146
Operating grants, subsidies and contributions		1,852,265	924,489	2,733,787
Fees and charges		402,204	383,174	378,049
Interest earnings		78,231	45,761	49,716
Goods and services tax		91,644	0	1
Other revenue		414,901	39,422	61,252
		4,373,931	2,965,351	4,761,951
Payments				
Employee costs		(1,731,827)	(1,980,270)	(1,713,544)
Materials and contracts		(758,957)	(1,514,453)	(1,328,231)
Utility charges		(106,108)	(95,550)	(109,083)
Interest expenses		(3,423)	(3,661)	(5,988)
Insurance expenses		(155,567)	(168,460)	(150,217)
Goods and services tax		(91,644)	0	4
Other expenditure		(343,971)	(11,200)	(200)
		(3,191,497)	(3,773,594)	(3,307,259)
Net cash provided by (used in) operating activities	14	1,182,434	(808,243)	1,454,692
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	7(b)	(388,395)	(596,500)	(162,406)
Payments for construction of infrastructure	8(b)	(1,810,492)	(1,344,082)	(1,045,194)
Non-operating grants, subsidies and contributions	2(a)	1,384,225	1,392,850	975,687
Proceeds from sale of fixed assets	9(a)	175,475	94,000	20,000
Net cash provided by (used in) investment activities		(639,187)	(453,732)	(211,913)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(16,415)	(16,415)	(15,460)
Proceeds from self-supporting loans		16,415	16,415	15,460
Net cash provided by (used in) financing activities		0	0	0
Net increase (decrease) in cash held		543,247	(693,503)	1,242,779
Cash at beginning of year		3,283,036	2,829,710	2,040,256
Cash and cash equivalents at the end of the year	14	3,826,280	2,136,206	3,283,036

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
		1,464,502	696,391	366,373
		1,464,502	696,391	366,373
Revenue from operating activities (excluding rates)				
Governance		57,124	46,000	0
General purpose funding		1,495,938	722,922	2,144,105
Law, order, public safety		233,312	199,226	244,572
Health		18,564	8,750	14,962
Education and welfare		62,165	29,775	146,908
Housing		358,300	21,320	16,085
Community amenities		259,246	214,467	218,741
Recreation and culture		30,847	25,082	31,467
Transport		253,359	293,784	373,236
Economic services		152,662	24,328	27,587
Other property and services		47,420	35,000	11,457
		2,968,937	1,620,654	3,229,120
Expenditure from operating activities				
Governance		(533,368)	(851,484)	(425,090)
General purpose funding		(127,034)	(74,441)	(150,243)
Law, order, public safety		(508,506)	(377,786)	(449,690)
Health		(65,004)	(60,575)	(62,394)
Education and welfare		(201,040)	(110,107)	(183,069)
Housing		(14,559)	(17,753)	(19,029)
Community amenities		(444,390)	(417,293)	(370,139)
Recreation and culture		(397,760)	(282,283)	(427,444)
Transport		(2,386,665)	(1,597,942)	(2,335,866)
Economic services		(226,540)	(154,193)	(140,674)
Other property and services		92,299	(1,022,238)	(206,626)
		(4,812,567)	(4,966,095)	(4,770,264)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	(42,474)	(228,000)	(5,125)
Loss on disposal of assets	9(a)	5,011	134,000	0
Movement in Restricted Assets		0	0	(761)
Movement in deferred pensioner rates (non-current)	5	(15,487)	0	(37)
Movement in employee benefit provisions	13	3,852	76,708	13,780
Depreciation and amortisation on assets	9(b)	1,386,087	1,535,198	1,480,047

Amount attributable to operating activities		957,861	(1,131,144)	313,133
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,384,225	1,392,850	975,687
Proceeds from disposal of assets	9(a)	175,475	94,000	20,000
Purchase of property, plant and equipment	7(b)	(388,395)	(596,500)	(162,406)
Purchase and construction of infrastructure	8(b)	(1,810,492)	(1,344,082)	(1,045,194)
Amount attributable to investing activities		(639,187)	(453,732)	(211,913)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(16,415)	(16,415)	(15,460)
Proceeds from self-supporting loans	12(a)	16,415	16,415	15,460
Transfers to reserves (restricted assets)	4	(733,997)	(369,000)	(323,819)
Transfers from reserves (restricted assets)	4	322,048	371,940	196,685
Amount attributable to financing activities		(411,949)	2,940	(127,134)
Surplus(deficiency) before general rates		(93,275)	(1,581,936)	(25,914)
Total amount raised from general rates	19	1,546,951	1,583,577	1,490,416
Net current assets at June 30 c/fwd. - surplus/(deficit)	20	1,453,676	1,641	1,464,502

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

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 to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 22 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

recognising such land as an asset.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

	2018 Actual	2017 Actual
(a) Revenue	\$	\$
Other revenue		
Reimbursements and recoveries	1,188	0
Other	55,739	41,164
	56,927	41,164
Fees and Charges		
General purpose funding	43,567	45,504
Law, order, public safety	9,032	17,062
Health	18,564	14,962
Education and welfare	13,881	13,849
Housing	9,970	16,085
Community amenities	255,585	214,125
Recreation and culture	17,952	14,693
Transport	595	2,827
Economic services	34,217	27,485
Other property and services	10,499	11,457
	413,862	378,049

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	1,301,729	1,991,200
Law, order, public safety	224,281	227,510
Education and welfare	35,910	126,352
Housing	348,330	0
Transport	64,291	365,284
	1,974,541	2,710,346
Non-operating grants, subsidies and contributions		
General purpose funding	0	17,525
Law, order, public safety	72,710	134,863
Transport	1,172,665	703,299
Economic services	138,850	120,000
	1,384,225	975,687
Total grants, subsidies and contributions	3,358,766	3,686,033

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 18.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

Interest earnings

- Loans receivable - clubs/institutions
 - Reserve funds
 - Other funds
- Other interest revenue (refer note 19(b))

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
3,661	3,661	4,616
26,704	20,000	3,584
28,246	6,600	6,380
19,620	15,500	18,502
78,231	45,761	33,082

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other audits as required

2018	2017
\$	\$
11,293	10,700
0	9,387
11,293	20,087
3,423	5,988
3,423	5,988
12,996	0
12,996	0

Interest expenses (finance costs)

- Long term borrowings (refer Note 12(a))

Rental charges

- Operating leases

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

3. CASH AND CASH EQUIVALENTS

	NOTE	2018	2017
		\$	\$
Unrestricted		1,779,445	1,537,412
Restricted		2,046,835	1,745,624
		3,826,280	3,283,036
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	4	188,703	188,371
Gravel pit reserve	4	80,000	60,000
Plant machinery reserve	4	419,519	408,229
Recreation centre reserve	4	544	535
Office equipment reserve	4	75,458	72,166
Asset management reserve	4	633,231	550,975
Infrastructure reserve	4	75,000	50,000
Main street reserve	4	57	116,423
Emergency management reserve	4	56,234	55,248
Aged housing reserve	4	370,827	22,103
Landfill reserve	4	93,746	72,452
Community bus reserve	4	24,376	9,244
Unspent grants	18	29,140	139,878
		2,046,835	1,745,624

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk

**Cash and cash equivalents
(Continued)**

of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

**4. RESERVES - CASH
BACKED**

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave reserve	188,371	28,363	(28,031)	188,703	188,290	26,500	(19,500)	195,290	198,858	27,353	(37,840)	188,371
Gravel pit reserve	60,000	20,000		80,000	60,140	21,000	0	81,140	40,000	20,000	0	60,000
Plant machinery reserve	408,229	157,288	(145,998)	419,519	408,085	155,000	(130,000)	433,085	357,993	127,236	(77,000)	408,229
Recreation centre reserve	535	9		544	535	0	0	535	529	6	0	535
Office equipment reserve	72,166	16,288	(12,996)	75,458	72,139	16,000	(20,500)	67,639	66,677	15,789	(10,300)	72,166
Asset management reserve	550,975	98,836	(16,580)	633,231	525,852	95,000	(138,000)	482,852	445,700	105,274	0	550,974
Infrastructure reserve	50,000	25,000		75,000	55,175	26,000	0	81,175	50,000	0	0	50,000
Main street reserve	116,423	2,077	(118,443)	57	102,892	500	(63,940)	39,452	185,569	2,400	(71,545)	116,424
Emergency management reserve	55,248	986	0	56,234	55,226	1,000	0	56,226	54,602	646	0	55,248
* Aged housing reserve	22,103	348,724	0	370,827	22,094	1,000	0	23,094	21,845	258	0	22,103
Landfill reserve	72,452	21,294	0	93,746	72,431	21,000	0	93,431	51,839	20,613	0	72,452
Community bus reserve	9,244	15,132	0	24,376	10,057	6,000	0	16,057	5,000	4,244		9,244
	1,605,746	733,997	(322,048)	2,017,695	1,572,916	369,000	(371,940)	1,569,976	1,478,612	323,819	(196,685)	1,605,746

Aged Housing Reserve actual contributions include an amount of \$348,329.57 from an external party. This is the transfer of funds from Danjangerup

* Cottages to be held by Council for future developments.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE EYAR ENDING 30TH JUNE 2018**

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

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Purpose of the reserve
Leave reserve	An accounting requirement to fund leave accumulated by employees
Gravel pit reserve	To be used for the rehabilitation of the gravel pit at the end of its useful life
Plant machinery reserve	To be used for the purchase of plant assets
Recreation centre reserve	To be used for capital upgrades to the Recreation Precinct. To be used to ensure that the equipment required for Council Administration and supporting computer systems are maintained
Office equipment reserve	To provide funding for works to Council buildings as determined by the Asset Management Plan.
Asset management reserve	To provide support to the future budgets to minimise the impact of the loss of capital grants as required
Infrastructure reserve	To be used to support the Main Street upgrade project
Main street reserve	To provide funding for costs of dealing with local emergencies, where those costs cannot be recovered from another party
Emergency management reserve	To be used to facilitate the development of Aged Housing within the Shire of Nannup
Aged housing reserve	To provide funding for the rehabilitation of the refuse disposal site once it reaches the end of its useful life
Landfill reserve	To be used to cover future capital upgrades
Community bus reserve	

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding

Sundry debtors

Loans receivable - clubs/institutions

Non-current

Rates outstanding - pensioners

Loans receivable - clubs/institutions

Information with respect the impairment or otherwise
of the totals of rates outstanding and sundry debtors
is as follows:

Rates outstanding

Includes:

Past due and not impaired

- 1-5 years

- more than 5 years

Sundry debtors

Includes:

Past due and not impaired

- < one month

- 1-3 months

- 1-5 years

	2018	2017
	\$	\$
Rates outstanding	147,487	105,781
Sundry debtors	171,982	38,048
Loans receivable - clubs/institutions	17,429	15,459
	<u>336,898</u>	<u>159,288</u>
Rates outstanding - pensioners	84,654	69,167
Loans receivable - clubs/institutions	33,132	51,516
	<u>117,786</u>	<u>120,683</u>
Past due and not impaired		
- 1-5 years	116,180	78,484
- more than 5 years	31,307	27,298
	<u>147,487</u>	<u>105,782</u>
Past due and not impaired		
- < one month	160,373	26,105
- 1-3 months	3,807	1,297
- 1-5 years	7,802	10,646
	<u>171,982</u>	<u>38,048</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL
REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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

Classification and subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

6. INVENTORIES

Current

Stock On Hand

2018	2017
\$	\$
6,240	6,240
6,240	6,240

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation - level 2	1,765,000	2,120,000
	1,765,000	2,120,000
Total land	1,765,000	2,120,000
Buildings - non-specialised at:		
- Independent valuation - level 3	8,379,210	10,124,558
- Additions after valuation	54,911	0
Buildings - non-specialised - Less: accumulated depreciation	(33,899)	(390,566)
	8,400,222	9,733,992
Total buildings	8,400,222	9,733,992
Total land and buildings	10,165,222	11,853,992
Furniture and equipment at:		
- Management valuation 2016 - level 3	37,719	37,719
Furniture and equipment - Less: accumulated depreciation	(7,253)	(4,594)
	30,466	33,125
Plant and equipment at:		
- Independent valuation 2016 - level 2	2,103,510	2,275,259
- Additions after valuation	333,484	0
Plant and equipment - Less: accumulated depreciation	(296,415)	(204,100)
	2,140,579	2,071,159
Total property, plant and equipment	12,336,267	13,958,277

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Buildings - non- specialised	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,120,000	9,720,030	27,978	2,168,556	14,036,564
Additions	0	77,621	8,043	76,742	162,406
(Disposals)	0	0	0	(15,000)	(15,000)
Depreciation (expense)	0	(63,659)	(2,896)	(159,139)	(225,694)
Carrying amount at 30 June 2017	2,120,000	9,733,992	33,125	2,071,159	13,958,276
Additions	0	54,911		333,484	388,395
(Disposals)	0	0	0	(138,011)	(138,011)
Revaluation increments/ (decrements) transferred to revaluation surplus	(355,000)	(1,354,782)	0	0	(1,709,782)
Depreciation (expense)	0	(33,899)	(2,659)	(126,053)	(162,611)
Carrying amount at 30 June 2018	1,765,000	8,400,222	30,466	2,140,579	12,336,267

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7.

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuer	July 2017	Price per hectare / Market borrowing rate
Land - vested in and under the control of Council	2	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuer	July 2017	Improvements to land using construction costs and current level (Level 2) residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	3	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent Registered Valuer	July 2017	Price per square metre / market borrowing rates
Furniture and equipment	2	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Construction costs and current level (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment	2	Market approach using recent observable market data for similar assets.	Independent Registered Valuer	June 2016	Market price per item.

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2017 - level 2	71,924,956	70,891,365
- Additions after valuations - cost	1,524,947	1,037,580
Infrastructure - Roads - Less: accumulated depreciation	(1,949,805)	(971,299)
	71,500,098	70,957,646
Infrastructure - Footpaths		
- Management valuation 2017 - level 2	1,072,438	1,060,838
- Additions after valuation - cost	29,549	7,615
Infrastructure - User defined 2 - Less: accumulated depreciation	(42,060)	(23,579)
	1,059,927	1,044,874
Infrastructure - Drainage		
- Management valuation 2017 - level 2	8,731,676	8,731,675
Infrastructure - User defined 3 - Less: accumulated depreciation	(139,052)	(69,526)
	8,592,624	8,662,149
Infrastructure - Parks & Ovals		
- Management valuation 2017 - level 2	107,532	107,531
Infrastructure - User defined 4 - Less: accumulated depreciation	(9,076)	(7,478)
	98,456	100,052
Infrastructure - Bridges		
- Management valuation 2017 - level 2	15,511,237	15,511,237
- Additions after valuation - cost	256,000	0
Infrastructure - User defined 5 - Less: accumulated depreciation	(337,838)	(182,471)
	15,429,399	15,328,766
Total infrastructure	96,680,504	96,093,487

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE
2018**

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Ovals	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	75,074,657	1,011,545	1,954,973	129,640	19,844,430	98,015,245
Additions	1,037,580	7,615	0	0	0	1,045,195
Revaluation increments/ (decrements) transferred to revaluation surplus	(4,183,292)	49,291	6,776,704	0	(4,333,193)	(1,690,490)
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	(22,110)	0	(22,110)
Depreciation (expense)	(971,299)	(23,579)	(69,526)	(7,478)	(182,471)	(1,254,353)
Carrying amount at 30 June 2017	70,957,646	1,044,874	8,662,151	100,052	15,328,766	96,093,489
Additions	1,520,958	33,533	0	0	256,001	1,810,492
Depreciation (expense)	(978,506)	(18,480)	(69,527)	(1,596)	(155,368)	(1,223,477)
Carrying amount at 30 June 2018	71,500,098	1,059,927	8,592,624	98,456	15,429,399	96,680,504

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	2	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessments inputs.
Infrastructure - Footpaths	2	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessments inputs.
Infrastructure - Drainage	2	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessments inputs.
Infrastructure - Parks & Ovals	2	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessments inputs.
Infrastructure - Bridges	2	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs and current condition residual values and remaining useful life assessments inputs.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

9 FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shi includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions.

This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

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.

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

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

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Buildings	20 - 100 years
Furniture and Equipment	4 - 20 years
Plant & Equipment	5 - 20 years
Sealed Roads	
- formation	not depreciated
-pavement	80 years
- seal	
- bituminous seals	34 years
- asphalt surfaces	43 years
Gravel Roads	
- formation	not depreciated
- pavement	80 years
Formed Roads	
- formation	not depreciated
- pavement	80 years
Bridges	90 - 110 years
Footpaths - slabs	50 - 60 years
Kerbs	100 years
Parks & Gardens	50 - 75 years
Water Supply Piping and Drainage Systems	75 - 130 years

Depreciation (Continued)

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

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

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE
2018**

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	(Decrement)	Movement	Balance	Balance	Increment	(Decrement)	Movement	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land and Buildings	6,521,929	(1,709,782)	(1,709,782)	4,812,147	6,521,929	0	0	0	6,521,929
Revaluation surplus -Furniture and equipment	163	0	0	163	163	0	0	0	163
Revaluation surplus - Infrastructure - Roads	50,190,704	0	0	50,190,704	54,373,996	0	(4,183,292)	(4,183,292)	50,190,704
Revaluation surplus - Infrastructure - Footpaths	794,838	0	0	794,838	745,547	49,291	0	49,291	794,838
Revaluation surplus - Infrastructure - Bridges	15,441,245	0	0	15,441,245	19,774,438	0	(4,333,193)	(4,333,193)	15,441,245
Revaluation surplus - Infrastructure - Drainage	6,776,704	0	0	6,776,704	0	6,776,704	0	6,776,704	6,776,704
	79,725,583	(1,709,782)	(1,709,782)	78,015,801	81,416,073	6,825,995	(8,516,485)	(1,690,490)	79,725,583

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors

Accrued salaries and wages and income

Restricted Assets

Youth Advisory Council

2018	2017
\$	\$
366,617	5,420
36,712	36,330
19,324	35,110
16,250	16,250
438,903	93,110

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

**Trade and other payables
(Continued)**

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

11. TRADE AND OTHER PAYABLES

Current

	2018	2017
	\$	\$
Sundry creditors	366,617	5,420
Accrued salaries and wages and income	36,712	36,330
Restricted Assets	19,324	35,110
Youth Advisory Council	16,250	16,250
	438,903	93,110

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

**Trade and other payables
(Continued)**

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

12. INFORMATION ON BORROWINGS

Repayments

(a) - Borrowings

	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Self Supporting Loans								
Community amenities								
Loan 37	66,976	0	16,415	16,415	50,561	50,562	3,423	3,661
	66,976	0	16,415	16,415	50,561	50,562	3,423	3,661
	66,976	0	16,415	16,415	50,561	50,562	3,423	3,661

Self supporting loans are financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

Borrowings

	2018	2017
Current	17,429	15,460
Non-current	33,132	51,516
	50,561	66,976

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
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
Total amount of credit unused	5,000	5,000

Loan facilities

Loan facilities - current	17,429	15,460
Loan facilities - non-current	33,132	51,516
Total facilities in use at balance date	50,561	66,976

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2018

13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	269,748	135,897	405,645
Non-current provisions		34,145	34,145
	269,748	170,042	439,790
Additional provision			
Amounts used	50,588	45,982	96,570
Balance at 30 June 2018	(78,620)	(42,126)	(120,746)
	191,128	127,916	415,614
Comprises			
Current	241,716	122,864	364,580
Non-current	0	51,034	51,034
	241,716	173,898	415,614

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur. The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits, will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

14. 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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	3,826,280	2,136,205	3,283,036
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,087,546	(845,712)	885,201
Non-cash flows in Net result:			
Depreciation	1,386,087	1,535,198	1,480,047
(Profit)/loss on sale of asset	(37,463)	(94,000)	(5,000)
Reversal of loss on revaluation of fixed assets	0	0	22,110
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(217,832)	(10,879)	48,310
Increase/(decrease) in payables	345,793	0	(80,430)
Increase/(decrease) in provisions	(24,176)	0	63,506
Reserve Interest	26,704	0	16,634
Grants contributions for the development of assets	(1,384,225)	(1,392,850)	(975,687)
Net cash from operating activities	1,182,434	(808,243)	1,454,690

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE
2018**

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	2,121,218	2,606,229
General purpose funding	4,051,989	3,569,247
Law, order, public safety	1,329,219	1,299,713
Education and welfare	448,072	480,741
Housing	1,065,315	1,024,358
Community amenities	660,519	524,751
Recreation and culture	4,068,347	5,286,416
Transport	98,982,436	98,149,339
Economic services	576,860	680,216
	113,303,975	113,621,010

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

16. LEASING COMMITMENTS

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the new recreation centre and purchase of a new truck (the prior year commitment was for the construction of the new recreation centre).

(a) Operating Lease Commitments

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

Payable:

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

2018	2017
\$	\$
21,912	9,596
79,211	3,196
0	0
101,123	12,792

SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the owner of the asset, but not legal owner, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

17. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	14,586	17,000	11,915
President's allowance	8,000	8,000	8,000
Deputy President's allowance	2,000	2,000	2,000
Travelling expenses	6,419	3,000	1,782
Telecommunications allowance	10,246	14,600	18,086
Conference Expenses	7,024	12,000	10,935
	48,275	56,600	52,718

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	446,168	422,812
Post-employment benefits	50,089	93,610
Other long-term benefits	8,567	9,391
Termination benefits	30,499	36,773
	535,323	562,586

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

17. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Purchase of goods and services - companies	5,644	5,293
Lease Income - companies	5,030	5,000
Salaries paid to related parties	116,743	9,376
Amounts outstanding from related parties:		
Trade and other receivables - community organisation	6,120	10,000

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. 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 owner, statute or agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

18. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Overspend Council Contribution	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$	\$
General purpose funding								
General Equalisation Grant 15/16	0	1,212,868		(735,945)	476,923	824,568	(867,414)	434,077
Grants Commission - Roads 15/16		778,332		(522,698)	255,634	477,161	(470,461)	262,334
Old Railway Bridge Grant	0	17,525		0	17,525	0	(17,525)	0
Law, order, public safety								
Bushfire Operating Grant 16/17	0	108,300		(91,611)	16,689	114,185	(130,874)	0
Bushfire Operating Grant 14/15	18,830	0		(18,830)	0	0	0	0
SES Operating Grant	0	18,285		(14,070)	4,215	17,682	(21,897)	0
Bushfire Management Plan	21,236	0		(2,096)	19,140	0	0	19,140
CESM Operating Grant	0	100,925		(100,925)	0	92,414	(92,414)	0
DFES Capital Grant - East Nannup Shed	(32,540)	105,300		(72,760)	0	0	0	0
Capital Grant - North Nannup Shed	(24,674)	29,563		(4,862)	27	0	(27)	0
Education and welfare								
Healthways FFD	0	3,000		(3,000)	0	0	0	0
Local Drug Action Group - FFD	0	1,227		(1,227)	0	0	0	0
Country Ways Grant - FFD	0	1,780		(1,780)	0	0	0	0
Y Culture	0	2,334		(2,334)	0	0	0	0
Prime Minister & Cabinet - Reconciliation Week	0	4,545		(4,545)	0	0	0	0
Local Drug Action Group - Survival Camp	0	3,290		(3,290)	0	0	0	0
Crime Prevention	0	2,545		(2,545)	0	0	0	0
Kidsport	16,943	10,000		(16,147)	10,796	0	(10,796)	0
Heritage Trails	(25,640)	25,145	495	0	0	0	0	0
Home Maintenance Grant	0	17,486		0	17,486	0	(17,486)	0
Y Culture	0	3,000		0	3,000		(3,000)	0
Crime Prevention	0	25,000		0	25,000		(25,000)	0
Lotterywest	0	26,000		0	26,000		(26,000)	0
Women on Fire Grant	0	0		0	0	4,910	(4,910)	0
Dept. Local Government - Active Healthy Living	0	0		0	0	10,000	0	10,000
Healthways					0	3,000	(3,000)	0
Youth Week Grants	0	1,000		(1,000)	0	2,000	(2,000)	0
South West Catchment Council	0	0		0	0	1,000	(1,000)	0
Transport								
Main Roads Direct Grants	0	109,284		(109,284)	0	64,291	(64,291)	0
Regional Grant Funding	0	256,000		(256,000)	0	0	0	0
Roads to Recovery	0	513,299		(513,299)	0	0	0	0
Regional Road Group	0	190,000		(190,000)	0	0	0	0
MRD - Heart of Contribution	0	120,000		(120,000)	0	0	0	0
Total	(25,845)	3,686,033	495	(2,788,248)	872,435	1,611,211	(1,758,095)	725,551

Notes:

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

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

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

(4) - *N/Op = Non Operating Grants disclosed in Note 3

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Total Revenue \$
Differential general rate / general rate								
Gross rental valuations								
Residential	0.081670	177	3,044,972	248,683	1,290	249,973	281,000	281,000
Comm/Industrial	0.081670	10	166,800	13,623	0	13,623	23,970	23,970
Special Rural	0.081670	190	2,596,748	212,076	3,871	215,947	197,685	197,685
Rural Tourism	0.081670	39	818,476	66,845	0	66,845	32,820	32,820
Unimproved valuations								
Rural	0.004257	211	119,888,000	510,363	0	510,363	510,364	510,364
Sub-Total		627	126,514,996	1,051,590	5,161	1,056,751	1,045,839	1,045,839
Minimum payment								
Gross rental valuations								
Residential	870	190	1,193,456	165,300	0	165,300	195,750	195,750
Comm/Industrial	870	1	9,500	870	0	870	0	0
Special Rural	870	102	612,546	88,740	0	88,740	76,560	76,560
Rural Tourism	870	17	130,180	14,790	0	14,790	0	0
Unimproved valuations								
Rural	1,050	190	26,616,500	199,500	0	199,500	199,500	199,500
Mining	1,050	20	317,983	21,000	0	21,000	21,000	21,000
Sub-Total		520	28,880,165	490,200	0	490,200	492,810	492,810
Total amount raised from general rate		1,147	155,395,161	1,541,790	5,161	1,546,951	1,538,649	1,538,649
Ex-gratia rates			10,554,000			44,928		44,928
Totals			165,949,161			1,591,879		1,583,577

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

19. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

	Date	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
Instalment Options	Due	\$	%	%
Option One				
Single full payment	18/08/2017	0	0.00%	11.00%
Option Three				
First instalment	18/08/2017	0	5.50%	11.00%
Second instalment	18/10/2017	5	5.50%	11.00%
Third instalment	18/12/2017	5	5.50%	11.00%
Fourth instalment	19/02/2018	5	5.50%	11.00%

	2018	2018 Budget	2017
	\$	\$	\$
Interest on unpaid rates	14,453	10,500	11,737
Interest on instalment plan	4,716	5,000	5,222
Charges on instalment plan	3,560	3,900	1,543
Deferred Interest	451	0	0
	23,180	19,400	18,502

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

20. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	1,453,676	1,464,502	1,464,502
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,779,445	1,537,412	1,537,412
Restricted	2,046,835	1,745,624	1,745,624
Receivables			
Rates outstanding	147,487	105,781	105,781
Sundry debtors	171,982	38,048	38,048
Loans receivable - clubs/institutions	17,429	15,459	15,459
Inventories			
Stock On Hand	6,240	6,240	6,240
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(366,617)	(5,420)	(5,420)
Accrued salaries and wages and income	(36,712)	(36,330)	(36,330)
Restricted Assets	(19,324)	(35,110)	(35,110)
Youth Advisory Council	(16,250)	(16,250)	(16,250)
Current portion of long term borrowings	(17,429)	(15,460)	(15,460)
Provisions			
Provision for annual leave	(241,716)	(269,748)	(269,748)
Provision for long service leave	(122,864)	(135,897)	(135,897)
Unadjusted net current assets	3,348,506	2,934,350	2,934,350
Adjustments			
Less: Reserves - restricted cash	(2,017,695)	(1,605,746)	(1,605,746)
Less: Loans receivable - clubs/institutions	(17,429)	(15,459)	(15,459)
Less: Long service leave provision not expected to be utilised	122,864	135,897	135,897
Add: Current portion of long term borrowings	17,429	15,460	15,460
Adjusted net current assets - surplus/(deficit)	1,453,676	1,464,502	1,464,502

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

21. FINANCIAL RISK MANAGEMENT

The Shire's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Shire's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Shire.

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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,826,280	3,283,036	3,826,280	3,283,036
Receivables	454,684	279,971	454,684	279,971
	4,280,964	3,563,007	4,280,964	3,563,007
Financial liabilities				
Payables	438,903	93,110	438,903	93,110
Borrowings	50,561	66,976	50,561	55,699
	489,464	160,086	489,464	148,809

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

21. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	38,260	32,830
- Statement of Comprehensive Income	38,260	32,830

Notes:

(1)

Sensitivity percentages based on management's expectation of future possible interest rate movements.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

21. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	93.25%	68.60%
- Overdue	6.75%	31.40%

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21 FINANCIAL RISK MANAGEMENT (Continued)

(c) 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.

The contractual undiscounted cash flows of the Shire's Payables and Borrowings are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2018	\$	\$	\$	\$	\$
Payables	438,903	0	0	438,903	438,903
Borrowings	17,429	33,132	0	50,561	50,561
	456,332	33,132	0	489,464	489,464
2017					
Payables	93,110	0	0	93,110	93,110
Borrowings	30,919	36,057	0	66,976	66,976
	124,029	36,057	0	160,086	160,086

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	17,429	18,506	14,626	0	0	0	50,561	6.01%
Weighted average	6.01%	6.01%	6.01%	0%	0%	0%		
Effective interest rate								
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	16,415	17,429	18,506	14,626	0	0	66,976	6.01%
Weighted average	6.01%	6.01%	6.01%	6.01%	0%	0%		
Effective interest rate								

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE
2018**

22. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
BCTIF Levy	0	8,987	(8,987)	0
BRB Levy	0	11,720	(11,720)	0
Bonds	38,832	6,600	(700)	44,732
Donation Rec. Centre Deposit	250	0	(250)	0
Nannup Community Bus	777	0	(777)	0
Nomination Deposits	0	560	(560)	0
Trust Accrued Expenses	0	1,466	0	1,466
	<u>38,832</u>			<u>46,198</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23 NEW STANDARDS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

Management's assessment of the new and amended pronouncements that are relevant to the Shire, applicable to future reporting periods and which have not yet been adopted are set out as follows:

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23 NEW STANDARDS (continued)

	Title	Issued / Compiled	Applicable (1)	Impact
(iv)	AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

(1) Applicable to reporting periods commencing on or after the given date.

Adoption of New and Revised Accounting Standards

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

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

(i)	AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii)	AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

24

**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

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.

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

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

Shi 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.

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.

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 ends of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL
REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

25. ACTIVITIES/PROGRAMS

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

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

26 FINANCIAL RATIOS

	2018	2017	2016
Current ratio	3.36	5.22	2.24
Asset consumption ratio	0.98	0.98	0.73
Asset renewal funding ratio	1.39	1.13	1.21
Asset sustainability ratio	1.08	0.75	1.48
Debt service cover ratio	55.09	69.51	3.42
Operating surplus ratio	(0.14)	(0.04)	(0.98)
Own source revenue coverage ratio	0.44	0.41	0.38

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Independent Auditors Report



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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF NANNUP

Opinion

We have audited the accompanying financial report of the Shire of Nannup which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

In our opinion, the accompanying financial report of the Shire of Nannup:

- (i) gives a true and fair view, in all material respects, of the financial position of the Shire of Nannup as at 30 June 2017, and of its financial performance and its cash flows for the year then ended;
- (ii) complies with Australian Accounting Standards; and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (i) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire of Nannup;
- (ii) There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit, with the exception of the following:
 - The mid-year budget review was not submitted to the Department within 30 days of review being completed as required by Regulation 33A(4) of the Local Government (Financial Management) Regulations 1996.
- (iii) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions;
- (iv) All necessary information and explanations were obtained by us; and
- (v) All audit procedures were satisfactorily completed during our audit.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the ethical requirements the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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AUSTRALIA • NEW ZEALAND

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Shire to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibility for the audit of the financial report is located at the Auditing and Assurance Standard Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our audit report.

AMD Chartered Accountants

TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 14th day of November 2017