



Shire of
Nannup
rest • connect • grow



Annual Report 2018/19

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Introduction

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

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

Copies of the report are available at the Shire Office in Adam Street, Nannup.

Council welcomes any comments from ratepayers and residents within the Shire.

Vision Statement

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

Mission Statement

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

Values

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

Honesty in our dealings

Integrity in our actions

Consistency in decision making

Teamwork in our operations

Respect for others and their decisions

Caring for people in our community

Commitment to decisions and roles

Responsive to the needs of other

Effective communication with all

Our Community Statement

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

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

Our Community

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

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

Our Economy

Sustainability is the key to Nannup's future

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

Our Built Environment

Keep the charm and fabric of Nannup

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



Our Natural Environment

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

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

Our Community Leadership

We listen to our community leaders

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

Our Council Leadership

A listening leadership that provides for and represents all

- To do what is right and fair for the people



Brief Background on Nannup

Location



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

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

The Past

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

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

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

The Present

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

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

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

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

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

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

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

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

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

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

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

The Future

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

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

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

Council Structure

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

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

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

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

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

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

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

Nannup Shire Councillors

| SHIRE PRESIDENT: Tony Dean | |
|---------------------------------------|--|
| WARD: | Central |
| RETIRING: | 2023 |
| ADDRESS: | 5709 Vasse Hwy, Nannup |
| PHONE: | 9756 0680 |
| EMAIL: | shirep@nannup.wa.gov.au |
| DEPUTY SHIRE PRESIDENT: Robin Mellema | |
| WARD: | South |
| RETIRING: | 2021 |
| ADDRESS: | 176 Blythe Road, Nannup |
| PHONE: | 9756 1156 |
| EMAIL: | deputy.president@nannup.wa.gov.au |
| COUNCILLOR: Cheryle Brown | |
| WARD: | North |
| RETIRING: | 2023 |
| ADDRESS: | 34 Cundinup-Dudinyillup Rd, Nannup |
| PHONE: | 0428 526 597 |
| EMAIL: | cr.brown@nannup.wa.gov.au |
| COUNCILLOR: Chris Buckland | |
| WARD: | Central |
| RETIRING: | 2021 |
| ADDRESS: | 117 Warren Road, Nannup |
| PHONE: | 0411 752 761 |
| EMAIL: | cr.buckland@nannup.wa.gov.au |



COUNCILLOR: Vince Corlett

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

**COUNCILLOR: Patricia Fraser**

WARD: South
RETIRING: 2023
ADDRESS: PO Box 14, Nannup
PHONE: 9756 1112
EMAIL: cr.fraser@nannup.wa.gov.au

**COUNCILLOR: Vicki Hansen**

WARD: North
RETIRING: 2021
ADDRESS: PO Box 349, Nannup
PHONE: 9756 0165
EMAIL: cr.hansen@nannup.wa.gov.au

**COUNCILLOR: Cate Stevenson**

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



Shire President's Report

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

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

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

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

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

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

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

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

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

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

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

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

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



Tony Dean

Shire President



Chief Executive Officer's Report

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

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

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

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

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

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

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



David Taylor

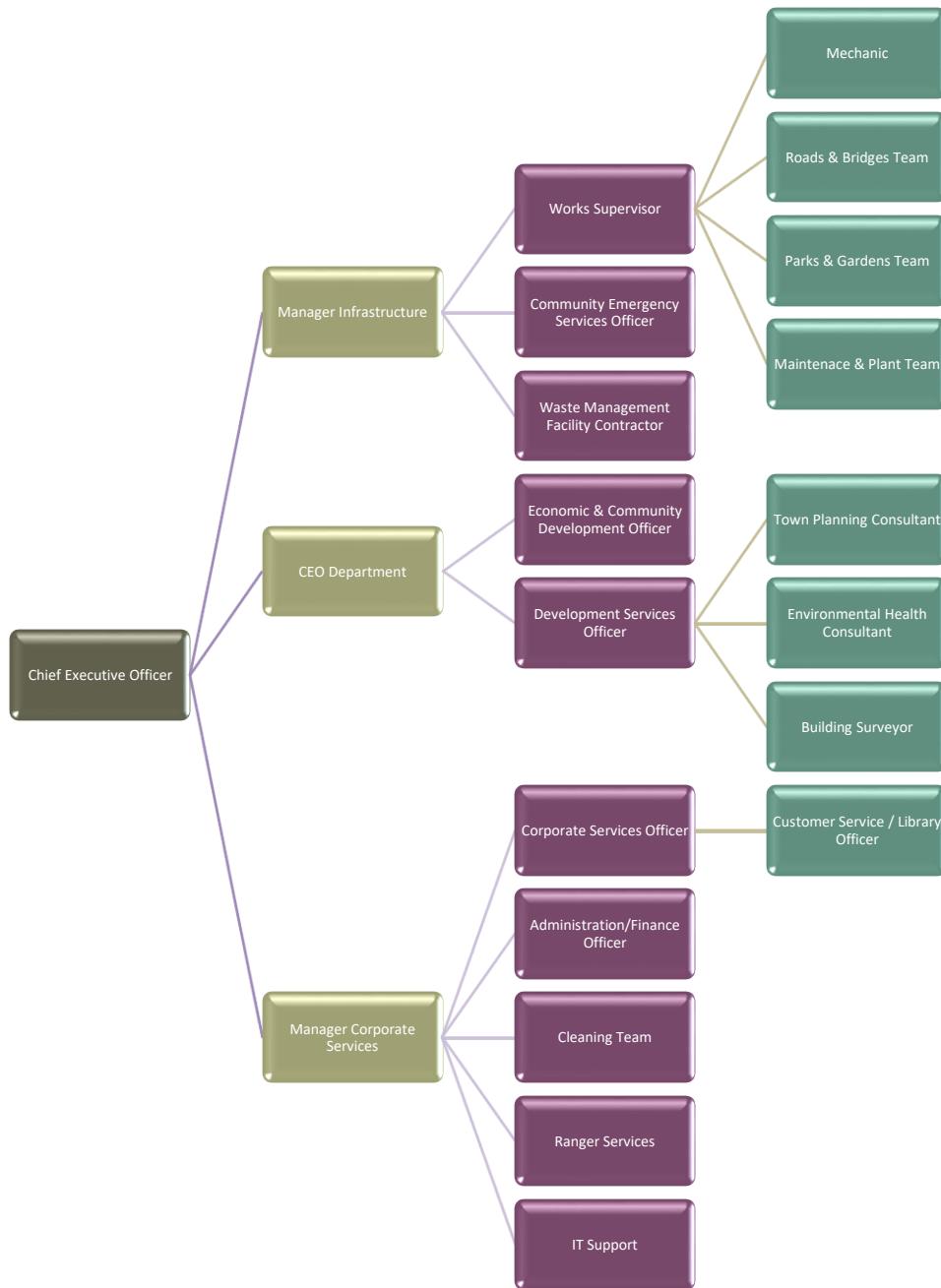
Chief Executive Officer





Shire of Nannup Organisational Structure

As at 30 June 2019



Corporate and Community Services Department

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

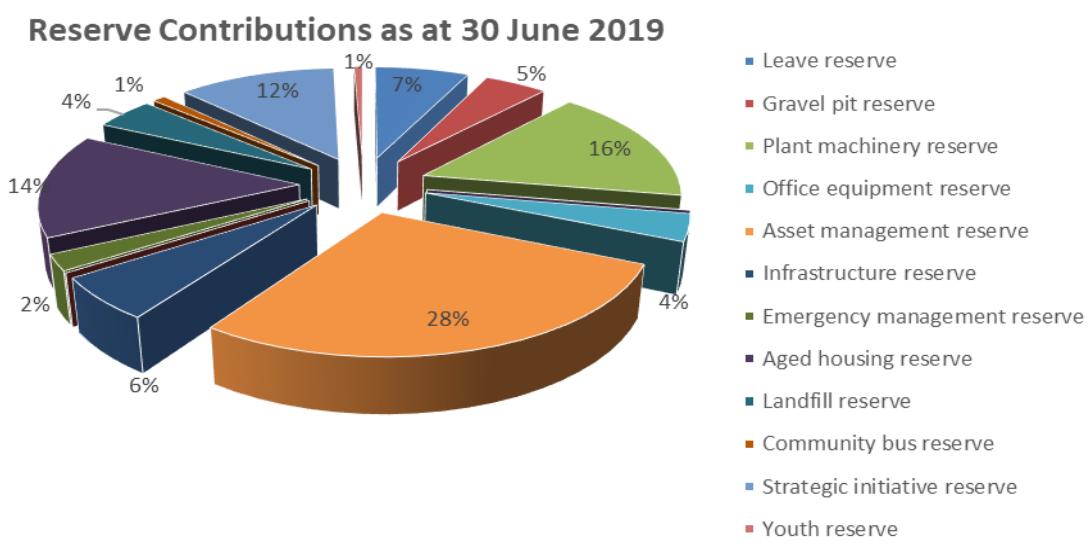
Financial Summary

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

Reserve Funds

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

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



Revenue

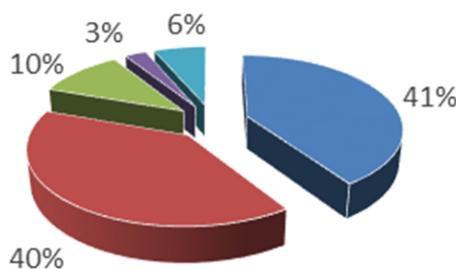
Council is limited in its capacity to raise revenue from its own sources. Revenue is primarily received in the form of grants, rates and fees and charges.

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

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

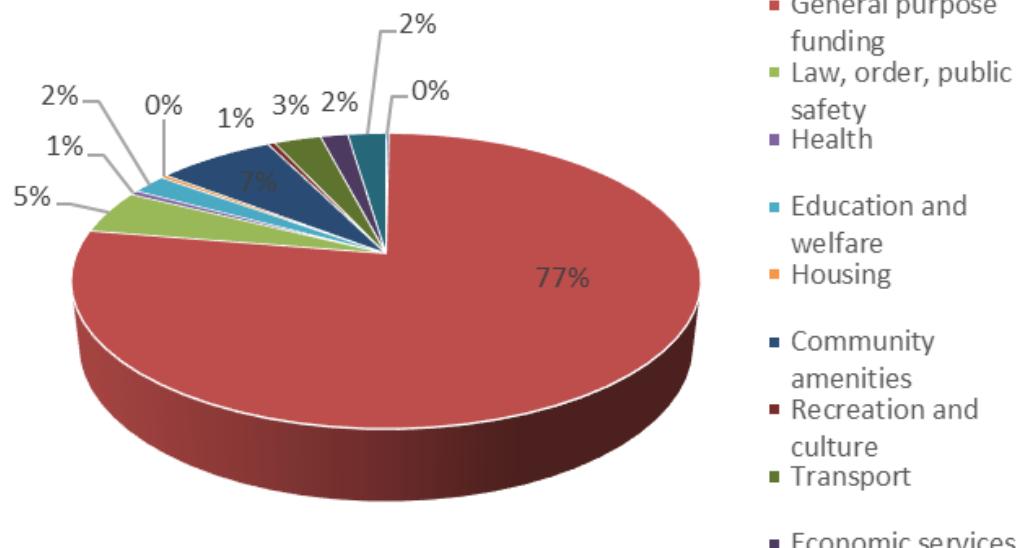
The graph below details the breakdown of the income received for the 2018/19 year by Nature and Type:

Total Revenue 2018/19 by Nature & Type



- Rates
- Operating grants, subsidies and contributions
- Fees and charges
- Interest earnings
- Other revenue

Total Revenue 2018/19 by Program



Expenditure

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

Expenditure by Program 2018/19



Rating

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

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

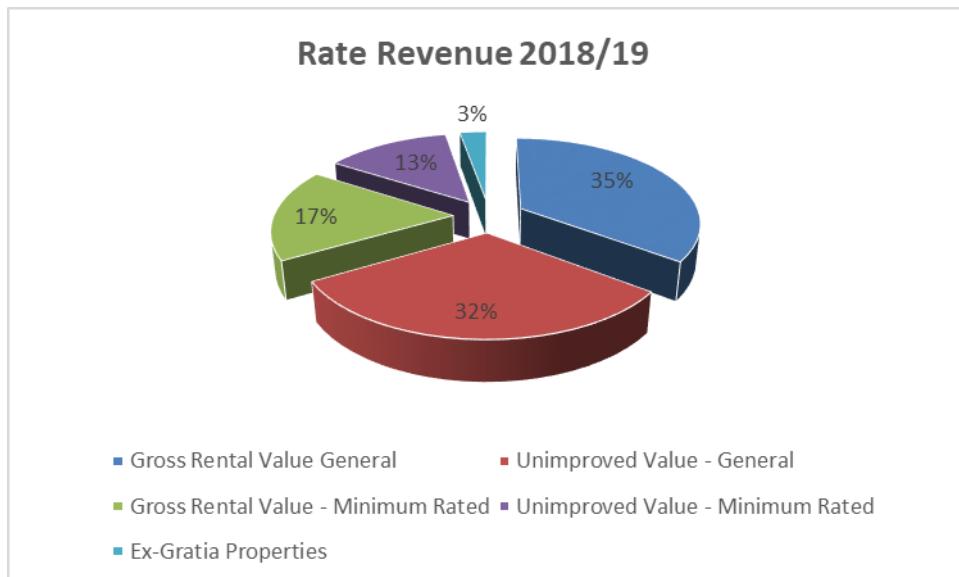
Gross Rental Values are usually applied to properties within town sites as well as Special Rural lots. These properties previously were revalued every three years. However, within this year notification was received that revaluations of this class will now be applied every 5 years. Consequently, there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

Unimproved Values are revalued annually.

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

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

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



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

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

Tracie Bishop

Manager Corporate Services





Works & Services Department

The Works and Service Department were kept busy in the 2018/19 financial year completing road improvement upgrades, road infrastructure maintenance, town site maintenance including parks and gardens, building maintenance and fire mitigation works both in the Nannup town site and the outlying district. Other works included bridge maintenance, footpath repair, building maintenance, firebreaks, grave preparation, waste burial and site maintenance and fire emergency support.

Road projects carried out were:

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

General road maintenance carried out included:

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

Building improvement included:

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

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

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

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

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



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

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

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

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



Jonathan Jones
Manager Infrastructure



Statutory Compliance Report

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

Competitive Neutrality – Business Activities

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

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

The Financial Management Review

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

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

Audit Regulation 17 Review

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

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

Freedom of Information Act 1992 - Information Statement

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



Public Interest Disclosure

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

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

Disability Access and Inclusion Plan

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

State Records Act 2000 – Record Keeping Plan

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

Overview of Integrated Planning

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

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

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

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

Employee Remuneration

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

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

Complaints under Section 5.121 of the Local Government Act 1995

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



Shire of Nannup - Audited Financial Statements

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

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COMMUNITY VISION

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

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

Principal place of business:
15 Adam Street
Nannup WA 6275

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the Eleventh day of December, 2019

Chief Executive Officer

David Taylor



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

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

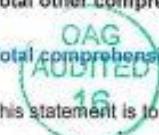
This statement is to be read in conjunction with the accompanying notes.



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

| NOTE | 2019 Actual | 2019 Budget | 2018 Actual |
|---|----------------|------------------|--------------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Governance | 7,326 | 0 | 57,125 |
| General purpose funding | 3,245,789 | 2,397,828 | 3,042,888 |
| Law, order, public safety | 201,560 | 245,790 | 233,312 |
| Health | 21,438 | 12,975 | 18,564 |
| Education and welfare | 89,898 | 29,819 | 62,165 |
| Housing | 16,000 | 20,800 | 358,300 |
| Community amenities | 301,598 | 274,868 | 259,246 |
| Recreation and culture | 18,388 | 18,436 | 30,847 |
| Transport | 121,107 | 62,284 | 210,884 |
| Economic services | 70,530 | 24,730 | 152,662 |
| Other property and services | 98,251 | 20,000 | 47,420 |
| | 4,191,885 | 3,107,530 | 4,473,414 |
| Expenses | | | |
| Governance | (397,210) | (929,323) | (532,887) |
| General purpose funding | (156,299) | (98,759) | (127,274) |
| Law, order, public safety | (856,573) | (397,283) | (508,506) |
| Health | (64,216) | (54,951) | (65,004) |
| Education and welfare | (147,489) | (117,246) | (201,040) |
| Housing | (31,038) | (24,410) | (14,559) |
| Community amenities | (395,067) | (333,478) | (440,727) |
| Recreation and culture | (414,997) | (280,588) | (397,780) |
| Transport | (2,017,848) | (1,530,191) | (2,382,135) |
| Economic services | (191,599) | (146,695) | (226,540) |
| Other property and services | (98,079) | (878,303) | 92,299 |
| | (4,770,415) | (4,771,227) | (4,804,133) |
| Finance Costs | | | |
| General purpose funding | 0 | 0 | 240 |
| Community amenities | (10,892) | (9,868) | (3,663) |
| | (10,892) | (9,868) | (3,423) |
| | (589,422) | (1,673,565) | (334,142) |
| Non-operating grants, subsidies and contributions | 2(a) | 1,156,907 | 488,000 |
| Profit on disposal of assets | 10(a) | 1,364 | 0 |
| (Loss) on disposal of assets | 10(a) | (25,574) | (118,126) |
| Fair value adjustments to financial assets at fair value through profit or loss | | 17,517 | 0 |
| | | 1,150,214 | 369,874 |
| | | | 1,421,688 |
| Net result for the period | | 560,792 | (1,303,691) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Changes in asset revaluation surplus | 11 | 472,474 | 0 |
| | | | (1,709,782) |
| Total other comprehensive income for the period | | 472,474 | 0 |
| Total comprehensive income for the period | | 1,033,266 | (1,303,691) |
| | | | (622,236) |

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



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

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

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



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

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION

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

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 to these financial statements.

SHIRE OF NANNUP

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

2. REVENUE AND EXPENSES (Continued)**(a) Revenue****Grant Revenue**

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

| | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|--|----------------------|----------------------|----------------------|
| Operating grants, subsidies and contributions | | | |
| General purpose funding | 1,334,182 | 601,464 | 1,301,729 |
| Law, order, public safety | 191,114 | 238,690 | 224,281 |
| Education and welfare | 28,324 | 15,000 | 35,910 |
| Housing | 0 | 0 | 348,330 |
| Recreation and culture | 1,500 | 0 | 0 |
| Transport | 109,337 | 62,284 | 64,291 |
| | 1,664,458 | 917,438 | 1,974,541 |
| Non-operating grants, subsidies and contributions | | | |
| Law, order, public safety | 508,845 | 0 | 72,710 |
| Education and welfare | 199,140 | 0 | 0 |
| Recreation and culture | 15,000 | 50,000 | 0 |
| Transport | 433,922 | 438,000 | 1,172,865 |
| Economic services | 0 | 0 | 138,850 |
| | 1,156,907 | 488,000 | 1,384,225 |
| Total grants, subsidies and contributions | 2,821,365 | 1,405,438 | 3,358,766 |

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 reporting period.

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

2. REVENUE AND EXPENSES

| (a) Revenue (Continued) | 2019 Actual | 2019 Budget | 2018 Actual |
|---|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Other revenue | | | |
| Reimbursements and recoveries | 110,774 | 31,156 | 1,188 |
| Other | 157,859 | 0 | 413,713 |
| | 268,433 | 31,156 | 414,901 |
| Fees and Charges | | | |
| General purpose funding | 38,854 | 47,500 | 43,587 |
| Law, order, public safety | 8,885 | 7,100 | 9,032 |
| Health | 21,559 | 12,975 | 18,584 |
| Education and welfare | 14,550 | 12,319 | 13,881 |
| Housing | 16,000 | 20,800 | 9,970 |
| Community amenities | 288,106 | 265,000 | 255,586 |
| Recreation and culture | 13,908 | 10,780 | 17,952 |
| Transport | 136 | 0 | 595 |
| Economic services | 31,479 | 24,730 | 34,217 |
| Other property and services | 10,143 | 20,000 | 10,498 |
| | 443,620 | 421,204 | 413,862 |
| There were no changes during the year to the amount of the fees or charges detailed in the original budget. | | | |
| Interest earnings | | | |
| Loans receivable - clubs/institutions | 10,892 | 9,868 | 3,681 |
| Reserve accounts interest | 51,655 | 16,000 | 26,704 |
| Rates instalment and penalty interest (refer Note 20(b)) | 16,953 | 16,000 | 19,620 |
| Other interest earnings | 31,097 | 0 | 28,246 |
| | 110,597 | 41,868 | 78,231 |

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

SHIRE OF NANNUP

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

2. REVENUE AND EXPENSES (Continued)

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

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

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

SIGNIFICANT ACCOUNTING POLICIES**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued) and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

| 4. RESERVES - CASH BACKED | 2019 Actual Opening Balance | 2019 Actual Transfer to | 2019 Actual Transfer (from) | 2019 Actual Closing Balance | 2019 Budget Opening Balance | 2019 Budget Transfer to | 2019 Budget Transfer (from) | 2019 Budget Closing Balance | 2018 Actual Opening Balance | 2018 Actual Transfer to | 2018 Actual Transfer (from) | 2018 Actual Closing Balance |
|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | | | | | | |
| (a) Leave reserve | 188,703 | 5,233 | (11,004) | 182,932 | 188,642 | 0 | 0 | 188,642 | 188,371 | 28,363 | (28,031) | 188,703 |
| (b) Gravel pit reserve | 80,000 | 142,000 | (100,000) | 122,000 | 80,000 | 0 | 0 | 80,000 | 60,000 | 20,000 | 0 | 80,000 |
| (c) Plant machinery reserve | 419,519 | 131,621 | (126,800) | 424,340 | 269,319 | 0 | (138,000) | 131,319 | 408,229 | 157,288 | (145,998) | 419,519 |
| (d) Recreation centre reserve | 544 | 16 | 0 | 560 | 544 | 0 | 0 | 544 | 535 | 9 | 0 | 544 |
| (e) Office equipment reserve | 75,458 | 22,091 | 0 | 97,549 | 80,919 | 0 | (18,000) | 62,919 | 72,166 | 16,288 | (12,996) | 75,458 |
| (f) Asset management reserve | 633,231 | 102,541 | 0 | 735,772 | 633,188 | 0 | (100,000) | 533,188 | 550,975 | 98,836 | (16,580) | 633,231 |
| (g) Infrastructure reserve | 75,000 | 80,000 | 0 | 155,000 | 75,000 | 30,000 | (37,500) | 67,500 | 50,000 | 25,000 | 0 | 75,000 |
| (h) Main street reserve | 57 | 308,000 | (307,998) | 59 | 0 | 0 | 0 | 0 | 116,423 | 2,077 | (118,443) | 57 |
| (i) Emergency management reserve | 56,234 | 1,558 | 0 | 57,792 | 0 | 0 | 0 | 0 | 55,248 | 986 | 0 | 56,234 |
| (j) Aged housing reserve | 370,827 | 10,272 | 0 | 381,099 | 56,207 | 0 | 0 | 56,207 | 22,103 | 348,724 | 0 | 370,827 |
| (k) Landfill reserve | 93,748 | 22,597 | 0 | 116,343 | 370,817 | 0 | 0 | 370,817 | 72,452 | 21,294 | 0 | 93,748 |
| (l) Community bus reserve | 24,376 | 22,597 | (21,922) | 25,051 | 93,710 | 0 | 0 | 93,710 | 9,244 | 15,132 | 0 | 24,376 |
| (m) Strategic initiative reserve | 0 | 308,000 | 0 | 308,000 | 23,859 | 5,000 | 0 | 28,859 | 0 | 0 | 0 | 0 |
| (n) Youth reserve | 0 | 16,250 | 0 | 16,250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2,017,695 | 1,172,776 | (567,724) | 2,622,747 | 1,872,205 | 35,000 | (293,500) | 1,813,705 | 1,605,746 | 733,997 | (322,048) | 2,017,695 |

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

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

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

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

5. TRADE RECEIVABLES

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Rates receivable | 178,424 | 147,487 |
| Sundry receivables | 521,370 | 171,982 |
| GST receivable | 34,765 | 0 |
| Accrued Income | 2,438 | 0 |
| | 736,997 | 319,469 |
| Non-current | | |
| Pensioner's rates and ESL deferred | 100,414 | 84,654 |
| | 100,414 | 84,654 |

SIGNIFICANT ACCOUNTING POLICIES**Trade and other receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

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

Impairment and risk exposure

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

Previous accounting policy: Impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

| | 2019 | 2018 |
|------------------|----------------|--------------|
| | \$ | \$ |
| Current | | |
| Stock on hand | 6,240 | 6,240 |
| Gravel Inventory | 139,783 | 0 |
| | 146,023 | 6,240 |

The following movements in inventories occurred during the year:

| | | |
|------------------------------------|----------------|--------------|
| Carrying amount at 1 July | 6,240 | 6,240 |
| Additions to inventory | 187,292 | 101,823 |
| Inventory expenses during the year | (47,509) | (101,823) |
| Carrying amount at 30 June | 146,023 | 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.

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

SHIRE OF NANNUP
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FOR THE YEAR ENDED 30TH JUNE 2019

7. OTHER FINANCIAL ASSETS**(a) Current assets**

| | 2019 | 2018 |
|--|--------|--------|
| | \$ | \$ |
| Other financial assets at amortised cost | 49,797 | 0 |
| Other loans and receivables | 0 | 17,429 |

Other financial assets at amortised cost

| | | |
|--|---------------|----------|
| - Financial assets at amortised cost - self supporting loans | 49,797 | 0 |
| | <u>49,797</u> | <u>0</u> |

Financial assets previously classified as loans and receivables

| | | |
|---|----------|---------------|
| - Loans receivable - clubs/institutions | 0 | 17,429 |
| | <u>0</u> | <u>17,429</u> |

(b) Non-current assets

| | | |
|--|----------------|---------------|
| Other financial assets at amortised cost | 307,956 | 0 |
| Financial assets at fair value through profit and loss | 17,517 | 0 |
| Other loans and receivables | 0 | 33,132 |
| | <u>325,473</u> | <u>33,132</u> |

Other financial assets at amortised cost

| | | |
|--|----------------|----------|
| - Financial assets at amortised cost - self supporting loans | 307,956 | 0 |
| | <u>307,956</u> | <u>0</u> |

Financial assets at fair value through profit and loss

| | | |
|---|---------------|----------|
| - Units in Local Government House Trust | 17,517 | 0 |
| | <u>17,517</u> | <u>0</u> |

Financial assets previously classified as loans and receivables

| | | |
|---|----------|---------------|
| - Loans receivable - clubs/institutions | 0 | 33,132 |
| | <u>0</u> | <u>33,132</u> |

SIGNIFICANT ACCOUNTING POLICIES**Other financial assets at amortised cost**

- The Shire classifies financial assets at amortised cost if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cashflows; and
 - the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****8. PROPERTY, PLANT AND EQUIPMENT****(a) Movements in Carrying Amounts**

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

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

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

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

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

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

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

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

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

SHIRE OF NANNUP
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

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

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

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

SHIRE OF NANNUP
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FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

Land under control

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

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

Land under roads

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

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

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

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

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

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT****FOR THE YEAR ENDED 30TH JUNE 2019****10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)****(a) Disposals of Assets**

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

The following assets were disposed of during the year:

| | 2019 | | | | 2019 | | | |
|----------------------|-------------------|------------------|----------------|-----------------|-------------------|------------------|------------------|------------------|
| | Actual | Actual | 2019 | 2019 | Budget | Budget | 2018 | 2018 |
| | Net Book Value | Sale Proceeds | Sale Profit | Loss | Net Book Value | Sale Proceeds | Budget Profit | Loss |
| Plant and Equipment | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$ 1 |
| Governance | | | | | | | | |
| Hyundai Sonata | 15,000 | 16,364 | 1,364 | 0 | 15,000 | 16,364 | 1,364 | 0 |
| Governance Total | | | | | | | | |
| Transport | | | | | | | | |
| Volvo Backhoe Loader | 80,574 | 55,000 | 0 | (25,574) | 80,574 | 55,000 | 0 | (25,574) |
| Transport Total | | | | | | | | |
| | 95,574 | 71,364 | 1,364 | (25,574) | 249,944 | 131,818 | 0 | (118,126) |

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)**

| (b) Depreciation | 2019 | 2019 | 2018 |
|----------------------------------|-----------|---------|-----------|
| | Actual | Budget | Actual |
| Buildings - non-specialised | 35,928 | 60,680 | 33,899 |
| Furniture and equipment | 0 | 2,600 | 2,659 |
| Plant and equipment | 201,840 | 135,000 | 126,053 |
| Infrastructure - roads | 920,587 | 468,000 | 978,506 |
| Infrastructure - footpaths | 12,198 | 0 | 18,480 |
| Infrastructure - drainage | 86,362 | 0 | 69,527 |
| Infrastructure - parks and ovals | 1,598 | 0 | 1,596 |
| Infrastructure - bridges | 157,928 | 155,000 | 155,368 |
| | 1,396,421 | 821,280 | 1,386,087 |

SIGNIFICANT ACCOUNTING POLICIES**Depreciation**

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

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

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

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

Depreciation rates

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

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

Depreciation (Continued)

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

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

SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

11. REVALUATION SURPLUS

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

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

SHIRE OF NANNUP

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

12 TRADE AND OTHER PAYABLES

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

SIGNIFICANT ACCOUNTING POLICIES**Trade and other payables**

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

Trade and other payables (Continued)

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

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****13. INFORMATION ON BORROWINGS****(a) Borrowings:**

| | 2019 | 2018 |
|--------------|----------------|---------------|
| | \$ | \$ |
| Current | 49,797 | 17,429 |
| Non-current | 307,958 | 33,132 |
| Total | 357,755 | 50,561 |

(b) Repayments - Borrowings:

| Particulars | Loan Number | Institution | Interest Rate | 30 June 2019 | | | | | 30 June 2019 | | | | | 30 June 2019 | | | | |
|---|-------------|-------------|---------------|------------------------------|------------------|-----------------------------|----------------------------|------------------------------|------------------------------|------------------|-----------------------------|----------------------------|------------------------------|------------------------------|-----------------------------|----------------------------|------------------------------|--|
| | | | | Actual Principal 1 July 2019 | Actual New Loans | Actual Principal repayments | Actual Interest repayments | Actual Principal outstanding | Budget Principal 1 July 2019 | Budget New Loans | Budget principal repayments | Budget Interest repayments | Budget Principal outstanding | Actual Principal 1 July 2017 | Actual Principal repayments | Actual Interest repayments | Actual Principal outstanding | |
| Self Supporting Loans: | | | | | | | | | | | | | | | | | | |
| Community amenities | | | | | | | | | | | | | | | | | | |
| SSL 37 NANNUP COMMUNITY RESOURCE CENTRE | 37 | WATC | 8.01 | 50,561 | 0 | 17,429 | 2,647 | 33,132 | 50,516 | 0 | 17,429 | 2,647 | 38,507 | 66,976 | 16,415 | 3,423 | 50,561 | |
| SSL 39 NANNUP MUSIC CLUB | 39 | WATC | 2.96 | 0 | 350,000 | 25,379 | 8,245 | 324,621 | 0 | 350,000 | 25,557 | 7,221 | 324,043 | 0 | 0 | 0 | 0 | |
| | | | | 50,561 | 350,000 | 42,808 | 10,662 | 357,755 | 50,516 | 350,000 | 43,386 | 9,968 | 360,550 | 66,976 | 16,415 | 3,423 | 50,561 | |

* WA Treasury Corporation.

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

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****13. INFORMATION ON BORROWINGS (Continued)****(c) New Borrowings - 2018/19**

| Particulars/Purpose | Institution | Loan Type | Term Years | Interest Rate % | Amount Borrowed | | Amount (Used) | | Total Interest & Charges \$ | Actual Balance Unspent \$ |
|--|-------------|-----------|------------|-----------------|-----------------|-------------|---------------|--------------|-----------------------------|---------------------------|
| | | | | | 2018 Actual | 2018 Budget | 2019 Actual | 2019 Budget | | |
| Loan 39 - Self Supporting * WA Treasury Corporation | WATC* | SSL | 10 | 2.96% | \$ 350,000 | \$ 350,000 | \$ (350,000) | \$ (350,000) | \$ (7,521) | \$ 0 |
| | | | | | \$ 350,000 | \$ 350,000 | \$ (350,000) | \$ (350,000) | \$ (7,521) | \$ 0 |

(d) Undrawn Borrowing Facilities**Credit Standby Arrangements**

Credit card limit

Total amount of credit unused

| 2019 | 2018 |
|-------|-------|
| \$ | \$ |
| 5,000 | 5,000 |
| 5,000 | 5,000 |

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

| | |
|---------|--------|
| 49,797 | 17,429 |
| 307,956 | 33,132 |
| 357,753 | 50,561 |

SIGNIFICANT ACCOUNTING POLICIES**Financial liabilities**

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

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

Financial liabilities are derecognised when the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

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

SHIRE OF NANNUP

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

14. EMPLOYEE RELATED PROVISIONS**Employee Related Provisions**

| | Provision for Annual Leave | Provision for Long Service Leave | Total |
|---|----------------------------------|--|----------------|
| | \$ | \$ | \$ |
| Opening balance at 1 July 2018 | | | |
| Current provisions | 241,716 | 122,864 | 364,580 |
| Non-current provisions | 0 | 51,034 | 51,034 |
| | 241,716 | 173,898 | 415,614 |
| Additional provision | 14,374 | 17,373 | 31,747 |
| Balance at 30 June 2019 | 256,090 | 191,271 | 447,361 |
| Comprises | | | |
| Current | 256,090 | 133,851 | 389,941 |
| Non-current | 0 | 57,420 | 57,420 |
| | 256,090 | 191,271 | 447,361 |
| Leave | | | |
| | 2019 | 2018 | |
| | \$ | \$ | |
| Less than 12 months after the reporting date | 389,941 | 191,656 | |
| More than 12 months from reporting date | 53,659 | 223,958 | |
| Expected reimbursements from other WA local governments | 3,761 | 0 | |
| | 447,361 | 415,614 | |

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

SIGNIFICANT ACCOUNTING POLICIES**Employee benefits****Short-term employee benefits**

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

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

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

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

SHIRE OF NANNUP

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

17. CONTINGENT LIABILITIES

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

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

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

17 LEASING COMMITMENTS

(a) Operating Lease Commitments

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

Payable:

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

| | 2019 | 2018 |
|---------------|----------------|-------------|
| | \$ | \$ |
| 20,458 | 21,912 | |
| 56,404 | 79,211 | |
| 76,862 | 101,123 | |

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

SHIRE OF NANNUP

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

18. RELATED PARTY TRANSACTIONS**Elected Members Remuneration**

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

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

Key Management Personnel (KMP) Compensation Disclosure

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

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

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

18. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

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

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution | Opening Balance ⁽¹⁾ 1/07/17 | | | Closing Balance ⁽¹⁾ 30/06/18 | | | Closing Balance 30/06/19 |
|---|---|------------------|--------------------|--|------------------|--------------------|-----------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| General purpose funding | | | | | | | |
| Old Railway Bridge Grant | 17,525 | 0 | (17,525) | 0 | | | 0 |
| General Equalisation Grant | 476,923 | 824,568 | (867,414) | 434,077 | (434,077) | | 0 |
| Roads Grants | 255,634 | 477,161 | (470,461) | 262,334 | (262,334) | | 0 |
| Law, order, public safety | | | | | | | |
| Bushfire Operating Grant 16/17 | 16,889 | 114,185 | (130,874) | 0 | | | 0 |
| SES Operating Grant | 4,215 | 17,682 | (21,897) | 0 | | | 0 |
| Bushfire Management Plan | 19,140 | 0 | 0 | 19,140 | | | 19,140 |
| CESM Operating Grant | 0 | 92,414 | (92,414) | 0 | 58,494 | (58,494) | 0 |
| Capital Grant - North Nannup Shed | 27 | | (27) | 0 | | | 0 |
| Bushfire Operating Grant 18/19 | 0 | | | 0 | 133,102 | (133,102) | 0 |
| Bushfire Mitigation Works | 0 | | | 0 | 458,397 | (449,256) | 9,141 |
| SES Operating Grant 18/19** | 0 | | | 0 | 18,659 | (26,547) | (7,888) |
| Education and welfare | | | | | | | |
| Kidsport | 10,796 | 0 | (10,796) | 0 | | | 0 |
| Home Maintenance Grant | 17,486 | 0 | (17,486) | 0 | | | 0 |
| Y Culture | 3,000 | | (3,000) | 0 | | | 0 |
| Crime Prevention | 25,000 | | (25,000) | 0 | | | 0 |
| Lotterywest | 26,000 | | (26,000) | 0 | | | 0 |
| Women on Fire Grant | 0 | 4,910 | (4,910) | 0 | | | 0 |
| Dept. Local Government - Active Healthy Living | 0 | 10,000 | 0 | 10,000 | (10,000) | | 0 |
| Healthways | 0 | 3,000 | (3,000) | 0 | | | 0 |
| Youth Week Grants | 0 | 2,000 | (2,000) | 0 | | | 0 |
| South West Catchment Council | 0 | 1,000 | (1,000) | 0 | | | 0 |
| Local Drug Action Group | 0 | 0 | 0 | 4,144 | (4,144) | | 0 |
| Family Fun Day | 0 | 0 | 0 | 13,632 | (13,632) | | 0 |
| Community Development Grants | 0 | 0 | 0 | 163,692 | (14,692) | 149,000 | |
| Recreation and culture | | | | | | | |
| LotteryWest | 0 | | | 0 | 15,000 | (15,000) | 0 |
| Good Things Foundation | 0 | | | 0 | 1,500 | (1,500) | 0 |
| Transport | | | | | | | |
| Main Roads Direct Grants | 0 | 64,291 | (64,291) | 0 | | | 0 |
| Roads to Recovery Grant | 0 | | | 0 | 208,972 | (208,972) | 0 |
| MRD Grants - Capital Projects | 0 | | | 0 | 109,337 | (109,337) | 0 |
| Regional Road Groups | 0 | | | 0 | 210,000 | (210,000) | 0 |
| Total | 872,435 | 1,611,211 | (1,758,095) | 725,551 | 1,394,929 | (1,951,087) | 169,393 |
| Total Tied Grant Funding Carried Forward | | | | | | | |
| 169,393 | | | | | | | |

Notes:

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

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

(3) - Grants/contributions which had been recognised as 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) ** The negative grant income shown above refers to the amount within this area that has been sent through to grants for consideration of the additional cost to be covered via the grant funding.

SHIRE OF NANNUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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20. RATING INFORMATION

(a) Rates

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

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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

20. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

| Instalment Options | Date Due | Instalment Plan | Instalment Plan | Unpaid Rates |
|-----------------------------|----------|-----------------|-----------------|---------------|
| | | Admin Charge | Interest Rate | Interest Rate |
| Option One | 17/08/18 | 0.00 | 0.00% | 11.00% |
| Option Two | 17/08/18 | 0.00 | 5.50% | 11.00% |
| | 19/10/18 | 5.00 | 5.50% | 11.00% |
| | 19/12/18 | 5.00 | 5.50% | 11.00% |
| | 19/02/19 | 5.00 | 5.50% | 11.00% |
| | | | | |
| | | 2019 Actual | 2019 Budget | 2018 Actual |
| | | \$ | \$ | \$ |
| Interest on unpaid rates | | 12,025 | 11,000 | 14,453 |
| Interest on instalment plan | | 4,928 | 4,500 | 4,716 |
| Charges on instalment plan | | 3,450 | 3,500 | 3,560 |
| Deferred Pensioner Interest | | 0 | 500 | 451 |
| | | 20,403 | 19,500 | 23,180 |

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21. RATE SETTING STATEMENT INFORMATION

| | | 2018/19 (30 June 2019) | Budget (30 June 2019) | 2018/19 (1 July 2018) |
|--|-------|---------------------------|--------------------------|--------------------------|
| Note | | Carried Forward) | Carried Forward) | Brought Forward) |
| | | \$ | \$ | \$ |
| (a) Non-cash amounts excluded from operating activities | | | | |
| The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> . | | | | |
| Adjustments to operating activities | | | | |
| Less: Profit on asset disposals | 10(a) | (1,364) | 0 | (42,474) |
| Less: Movement in liabilities associated with restricted cash | 12 | (49,978) | 0 | 0 |
| Movement in pensioner deferred rates (non-current) | | (15,760) | 0 | (15,487) |
| Movement in employee benefit provisions (non-current) | | 6,386 | 0 | 3,852 |
| Add: Loss on disposal of assets | 10(a) | 25,574 | 118,126 | 5,011 |
| Add: Depreciation on assets | 10(b) | 1,396,421 | 821,280 | 1,386,087 |
| Non cash amounts excluded from operating activities | | 1,361,279 | 939,406 | 1,336,989 |
| (b) Surplus/(deficit) after imposition of general rates | | | | |
| The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates. | | | | |
| Adjustments to net current assets | | | | |
| Less: Reserves - restricted cash | 4 | (2,622,747) | (1,613,705) | (2,017,696) |
| Less: Financial assets at amortised cost - self supporting loans | 7(a) | (49,797) | (43,386) | (17,429) |
| Less: Carry Forward Grant Funding | 19 | (169,393) | (730,411) | 0 |
| Less: Local Government House Trust - Units Brought into Account | 7 | (17,517) | 0 | 0 |
| Add: Borrowings | 13(a) | 49,797 | 43,386 | 17,429 |
| Add: Long Service Leave Provision not expected to be cleared at end of year | | 182,932 | 112,361 | 122,864 |
| Total adjustments to net current assets | | (2,626,728) | (2,231,755) | (1,894,832) |
| Net current assets used in the Rate Setting Statement | | | | |
| Total current assets | | 5,124,881 | 2,761,358 | 4,169,418 |
| Less: Total current liabilities | | (633,309) | (529,603) | (820,912) |
| Less: Total adjustments to net current assets | | (2,626,728) | (2,231,755) | (1,894,832) |
| Net current assets used in the Rate Setting Statement | | 1,864,842 | 0 | 1,453,676 |

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22. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

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

Sensitivity

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

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

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

* Holding all other variables constant

Borrowings

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

The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most

advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings.

Details of interest rates applicable to each borrowing may be found at Note 13(b).

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****22. FINANCIAL RISK MANAGEMENT (Continued)****(b) Credit risk****Trade Receivables**

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

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

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

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

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

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

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

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

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

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

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

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22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(d).

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

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

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23. TRUST FUNDS

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

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

SHIRE OF NANNUP

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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24. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

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

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

(a) Classification and measurement

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

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

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

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

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

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

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

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

SHIRE OF NANNUP**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019****26 OTHER SIGNIFICANT ACCOUNTING POLICIES****a) Goods and services tax (GST)**

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that minimise the use of unobservable inputs and maximise the use of observable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable; whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revised amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revised 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 regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

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27. ACTIVITIES/PROGRAMS

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

| PROGRAM NAME AND OBJECTIVES | 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 | 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 To ensure adequate staff housing. | Maintenance of staff rental housing. |
| COMMUNITY AMENITIES Provide services required by the community. | Rubbish collection services, operation of waste management facility, noise control, administration of town planning scheme, maintenance of cemetery and maintenance of public conveniences. |
| RECREATION AND CULTURE To establish and maintain efficient infrastructure and resources which will help the social wellbeing of the community. | Maintenance and provision of halls, recreation centre and various reserves; operation of library services. |
| 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 operation costs. |

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28. FINANCIAL RATIOS

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

The above ratios are calculated as follows:

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

Independent Audit Report



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Nannup

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Other Matter

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

Matters Relating to the Electronic Publication of the Audited Financial Report

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



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

11 December 2019