

AGENDA

Shire of Nannup Audit Advisory Committee

Agenda of a meeting to be held on
Thursday 23 February 2012 at 3.00 pm
in the Shire Chambers.

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS
2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE
(previously approved)
3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE
4. APPLICATIONS FOR LEAVE OF ABSENCE
5. PETITIONS/DEPUTATIONS/PRESENTATIONS
6. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

That the Minutes of the Audit Advisory Committee Meeting of the Shire of Nannup held in Council Chambers on 26 November 2009 be confirmed as a true and correct record.

7. ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION
8. REPORTS BY MEMBERS ATTENDING COMMITTEES
9. REPORTS OF OFFICERS

Agenda No.	Description	Page No.
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DEVELOPMENT SERVICES

- | | |
|-----|---|
| 9.1 | Acceptance of Shire of Nannup Annual Report 2010/11 |
| 9.2 | Compliance Audit Return 2011 |

10. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN
11. CLOSURE OF MEETING

AGENDA NUMBER: 9.1
SUBJECT: Acceptance of Shire of Nannup Annual Report 2010/11
LOCATION/ADDRESS: N/A
NAME OF APPLICANT: N/A
FILE REFERENCE: ADM 17
AUTHOR: Vic Smith - Manager Corporate Services
DISCLOSURE OF INTEREST: Nil
DATE OF REPORT: 7 February 2012

Attachment: 1. Annual Report 2010/11 is included - separate document
2. Financial Report for year ending 30 June 2011
3. AMD Accountants Auditor's Report

BACKGROUND:

The Terms of Reference of the Audit Advisory Committee define its objective as:

"....to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs."

Mr Tim Partridge, Council's auditor, will be present to outline the audit process undertaken in the development of the financial report, the management report and the audit recommendations.

COMMENT:

The Annual Report for the Shire of Nannup for the financial year 2010/11 will be circulated to members prior to this committee meeting. It contains all statutory information required, including the audited Annual Financial Statements for the year under review and will form the basis of Mr Partridge's presentation.

STATUTORY ENVIRONMENT:

Section 7.12A of the Local Government Act 1995 deals with the duties of Local Government with respect to audits as follows:

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
 - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
 - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and

- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

POLICY IMPLICATIONS: Nil.

FINANCIAL IMPLICATIONS: Nil.

STRATEGIC IMPLICATIONS: Nil.

VOTING REQUIREMENTS: Simple Majority.

RECOMMENDATION:

That Council accept the audited Annual Financial Statements for the Shire of Nannup for the financial year 2010/11.



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Nannup being the annual financial report, supporting notes and other information for the financial year ended 30th June 2011 are in my opinion properly drawn up to present fairly the financial position of the Shire of Nannup at 30 June 2011 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 6 day of February 2012



Robert Jennings

Chief Executive Officer

It is the Council's policy to provide full information to the public about its affairs. Further information about the accounts is available from the Manager Corporate Services, Shire of Nannup, 15 Adam Street, Nannup WA 6275.

**STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 Actual \$	2011 Budget \$	2010 Actual \$
Revenue				
Rates	22	941,328	942,200	892,569
Operating Grants, Subsidies and Contributions	28	1,258,903	881,555	946,419
Fees & Charges	27	381,424	195,466	272,659
Service Charges	24	0	0	0
Interest Earnings	2(a)	156,686	27,400	122,664
Other Revenue		867,213	4,200	0
Total Revenue		3,605,554	2,050,821	2,234,311
Expenses				
Employee Costs		(1,530,401)	(1,233,246)	(1,087,439)
Materials and Contracts		(1,466,788)	(2,806,755)	(1,085,942)
Utility Charges		(92,882)	(64,160)	(58,723)
Depreciation on Non-Current Assets	2(a)	(1,687,727)	(1,992,255)	(1,895,226)
Interest Expenses	2(a)	(6,334)	(1,245)	(2,167)
Insurance Expenses		(144,174)	(152,801)	(148,244)
Other Expenditure		(1,053)	(300)	(3,396)
Total Expenses		(4,929,359)	(6,250,762)	(4,281,137)
		(1,323,805)	(4,199,941)	(2,046,826)
Non-Operating Grants, Subsidies and Contributions	28	6,155,110	11,508,631	3,251,606
Fair value adjustments to financial assets at fair value through profit or loss		0	0	0
Profit on Asset Disposals	20	21,159	0	0
Loss on Asset Disposals	20	(31,943)	(28,000)	(26,891)
NET RESULT		4,820,521	7,280,690	1,177,889
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	0	0	(14,638,528)
Total Other Comprehensive Income		0	0	(14,638,528)
TOTAL COMPREHENSIVE INCOME		4,820,521	7,280,690	(13,460,639)

This statement should be read in conjunction with the accompanying notes.

**STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 Actual \$	2011 Budget \$	2010 Actual \$
Revenue				
Governance		6,921	0	337
General Purpose Funding		2,298,119	2,995,896	2,058,736
Law, Order, Public Safety		535,890	142,480	213,977
Health		7,567	2,000	1,835
Education & Welfare		57,882	27,389	20,561
Housing		15,662	16,700	34,679
Community Amenities		116,723	89,776	112,433
Recreation & Culture		118,990	176,870	229,094
Transport		6,387,030	10,056,055	2,729,112
Economic Services		127,478	27,286	42,550
Other Property & Services		79,622	25,000	42,547
Total Revenue		9,751,884	13,559,452	5,485,861
Expenses Excluding Finance Costs				
Governance		(277,321)	(271,700)	(202,576)
General Purpose Funding		(252,845)	(1,390,132)	(153,082)
Law, Order, Public Safety		(343,292)	(249,652)	(224,965)
Health		(61,234)	(41,109)	(37,129)
Education & Welfare		(156,379)	(156,719)	(106,659)
Housing		(52,397)	(54,017)	(38,596)
Community Amenities		(497,796)	(751,998)	(378,634)
Recreation & Culture		(819,743)	(760,724)	(723,864)
Transport		(2,130,899)	(2,381,039)	(2,223,507)
Economic Services		(244,630)	(184,540)	(181,170)
Other Property & Services		(87,504)	(35,987)	(35,623)
Total Expenses		(4,924,040)	(6,277,617)	(4,305,805)
Finance Costs				
Governance		(989)	0	0
Housing	21(a)	(972)	(978)	(1,583)
Community Amenities	21(a)	(2,739)	0	0
Transport	21(a)	(2,623)	(167)	(584)
		(7,323)	(1,145)	(2,167)
NET RESULT		4,820,521	7,280,690	1,177,889
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	0	0	(14,638,528)
Total Other Comprehensive Income		0	0	(14,638,528)
TOTAL COMPREHENSIVE INCOME		4,820,521	7,280,690	(13,460,639)

This statement should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 Actual \$	2010 Actual \$
Current Assets			
Cash & Cash Equivalents	3	2,422,751	3,166,241
Trade & Other Receivables	4	169,159	82,450
Inventories	5	0	0
Total Current Assets		2,591,910	3,248,691
Non-Current Assets			
Other Receivables	4	164,240	24,603
Inventories	5	0	0
Property, Plant & Equipment	6	5,080,936	4,589,337
Infrastructure	7	80,776,311	75,690,704
Total Non-Current Assets		86,021,487	80,304,644
TOTAL ASSETS		88,613,397	83,553,335
Current Liabilities			
Trade & Other Payables	8	277,314	452,194
Current Portion of Long Term Borrowings	9	70,357	12,953
Provisions	10	302,248	305,967
Total Current Liabilities		649,919	771,114
Non-Current Liabilities			
Long Term Borrowings	9	365,669	8,786
Provisions	10	3,853	0
Total Non-Current Liabilities		369,522	8,786
TOTAL LIABILITIES		1,019,441	779,900
NET ASSETS		87,593,956	82,773,435
EQUITY			
Retained Surplus		16,537,613	11,624,715
Reserves – Cash backed	11	857,638	950,015
Reserves – Asset Revaluation	12	70,198,705	70,198,705
TOTAL EQUITY		87,593,956	82,773,435

This statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Retained Surplus	Reserves/ Cash Investment Backed	Asset Revaluation Reserve	Total Equity
	\$	\$	\$	\$
Balance as at 1 July 2009	10,496,609	900,232	84,837,233	96,234,074
Net Result	1,177,889	0	0	1,177,889
Total Other Comprehensive Income	0	0	(14,638,528)	(14,638,528)
Reserve Transfers	(49,783)	49,783	0	0
Balance as at 30 June 2010	11,624,715	950,015	70,198,705	82,773,435
Net Result	4,820,521	0	0	4,820,521
Total Other Comprehensive Income	0	0	0	0
Reserve Transfers	92,377	(92,377)	0	0
Balance as at 30 June 2011	16,537,613	857,638	70,198,705	87,593,956

This statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 Actual \$	2011 Budget \$	2010 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		916,515	942,200	888,003
Operating Grants, Subsidies and Contributions		1,258,903	881,555	946,419
Fees & Charges		177,104	195,466	237,493
Service Charges		0	0	0
Interest Earnings		156,686	27,400	122,664
Other Revenue		867,206	4,200	0
Total Receipts		3,376,414	2,050,821	2,194,579
Payments				
Employee Costs		(1,562,136)	(1,062,253)	(1,099,680)
Materials and Contracts		(1,606,074)	(2,548,932)	(802,265)
Utility Charges		(92,882)	(64,160)	(58,723)
Insurance Expenses		(144,174)	(152,801)	(148,244)
Interest expenses		(3,491)	(1,242)	(2,304)
Other Expenditure		(1,053)	(300)	(3,395)
Total Payments		(3,409,810)	(3,829,688)	(2,114,611)
Net Cash Provided by/(Used in) Operating Activities	13(b)	(33,396)	(1,778,867)	79,968
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(978,621)	(680,300)	(842,279)
Payments for Construction of Infrastructure		(6,451,514)	(11,038,305)	(2,552,161)
Advances to Community Groups		0	0	0
Non-Operating Grants, Subsidies & Contributions used for the Development of Assets		6,149,748	11,508,631	3,437,434
Proceeds from the Sale of Plant & Equipment		154,417	134,000	171,137
Proceeds from Advances		3,853	0	0
Cash Provided by/(Used in) Investing Activities		(1,122,117)	(75,974)	214,131
Cash Flows from Financing Activities				
Repayment of Debentures		(15,713)	(13,109)	(19,539)
Advances to Community Groups		(2,264)	0	0
Proceeds from Self- Supporting Loans		0	0	0
Proceeds from New Debentures		430,000	280,000	0
Net Cash Provided by/(Used in) Financing Activities		412,023	266,891	(19,539)
Net Increase/(Decrease) in Cash Held		(743,490)	(1,587,950)	274,560
Cash at Beginning of Year		3,166,241	3,162,888	2,891,679
Cash & Cash Equivalents at End of Year	13(a)	2,422,751	1,574,938	3,166,239

This statement should be read in conjunction with the accompanying notes.

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 Actual \$	2011 Budget \$
Revenue			
Governance		6,921	0
General Purpose Funding		1,356,791	2,053,696
Law, Order, Public Safety		535,890	142,480
Health		7,567	2,000
Education & Welfare		57,882	27,389
Housing		15,662	16,700
Community Amenities		116,723	89,776
Recreation & Culture		118,990	176,870
Transport		6,387,030	10,056,055
Economic Services		127,478	27,286
Other Property & Services		79,622	25,000
Total Revenue		8,810,556	12,617,252
Expenses			
Governance		(278,310)	(271,700)
General Purpose Funding		(252,845)	(1,390,132)
Law, Order, Public Safety		(343,292)	(249,652)
Health		(61,234)	(41,109)
Education & Welfare		(156,379)	(156,717)
Housing		(53,369)	(54,995)
Community Amenities		(500,535)	(751,998)
Recreation & Culture		(819,743)	(760,724)
Transport		(2,133,522)	(2,381,209)
Economic Services		(244,630)	(184,540)
Other Property & Services		(87,504)	(35,987)
Total Expenses		(4,931,363)	(6,278,763)
Net Operating Result Excluding Rates		3,879,193	6,338,489

Net Operating Result Excluding Rates		3,879,193	6,338,489
Adjustments for Cash Budget Requirements			
Non-Cash Expenditure & Revenue			
(Profit)/Loss on Asset Disposals	20	10,784	28,000
Increase/(Decrease) in Accrued Interest	8	2,843	0
(Increase)/Decrease in Deferred Pensioner Rates (Non-Current)	4	(3,997)	0
Increase/(Decrease) in Accrued Salaries and Wages	8	8,737	27,737
Increase/(Decrease) in Leave Provisions	10	134	143,259
Depreciation and Amortisation on Assets	2(a)	1,687,727	1,912,127
Capital Expenditure & Revenue			
Purchase Land Held for Resale		0	0
Purchase Land & Buildings	6	(83,702)	(120,000)
Purchase Infrastructure Assets	7	(6,451,514)	(11,038,305)
Purchase Plant & Equipment	6	(872,721)	(535,800)
Purchase Furniture & Equipment	6	(22,198)	(24,500)
Proceeds from Disposal of Assets	20	154,417	134,000
Repayment of Debentures	21	(15,713)	(13,109)
Proceeds from New Debentures	21	430,000	280,000
Advances to Community Groups		(147,242)	0
Self-Supporting Loan Principal Repayments	21	0	0
Transfers to Reserves (Restricted Assets)	11	(831,759)	(664,130)
Transfers from Reserves (Restricted Assets)	11	924,136	1,010,461
ADD: Estimated Surplus/(Deficit) July 1 B/fwd		1,846,551	1,579,571
LESS: Estimated Surplus/(Deficit) June 30 C/fwd		(1,457,004)	0
Amount to be Required to be Raised from Rates	22	(941,328)	(942,200)

This statement should be read in conjunction with the accompanying notes.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

a. Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

The report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

b. The Local Government Reporting Entity

All Funds through which the Council 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, but a separate statement of those monies appears at Note 19 to these financial statements.

c. Goods and Services Tax (GST)

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities on the statement of financial position.

e. Trade and Other Receivables

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

f. Inventories

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.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the Statement of Comprehensive Income as at the time of signing an unconditional contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

g. Fixed Assets

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

Initial Recognition

All assets are initially recognised at cost. 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 Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at the reporting date.

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 AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years	Straight Line
Furniture and Equipment	10 years	Straight Line
Office Equipment	5 years	Straight Line
Plant and Equipment	10 years	Reducing Balance
Sealed roads and streets		
• formation		Not Depreciated
• pavement	50 years	Straight Line
• seal		
- bituminous seals	15 years	Straight Line
- asphalt surfaces	15 years	Straight Line
Kerbs	100 years	Straight Line
Parks & Gardens	50 years	Straight Line
Footpaths - slab	50 years	Straight Line
Water supply piping and drainage systems	50 years	Straight Line

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Capitalisation Threshold

Expenditure on items of equipment under \$1,000 is not capitalised.

h. Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or at cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (d) less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

i. Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

j. Impairment

In accordance with Australian Accounting Standards the Council's 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 estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

k. Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

I. Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to the reporting date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

m. 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.

n. Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result to settle the obligation; and
- c) 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.

Provisions are not recognised for future operating losses.

o. 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 Council, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to 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.

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 in the periods in which they are incurred.

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

p. Joint Venture

The Shire of Nanup has no Joint Venture arrangements.

q. Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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 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 2(c). 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.

r. Superannuation

The Council contributes to a number of superannuation funds on behalf of employees.

s. Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

t. Rounding Off Figures

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

u. Comparative Figures

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

When the council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

v. Budget Comparative Figures

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

w. New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2011.

Council's assessment of these new standards and interpretations is set out below:

	Title and Topic	Issued	Applicable ¹	Impact
(i)	AASB 9 – Financial Instruments	December 2009	1 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii)	AASB 124 – Related Party Disclosures	December 2009	1 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii)	AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	1 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv)	AASB 2009 -12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	December 2009	1 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.

(v)	<p>AASB 2009–11 Amendments to Australian Accounting Standards arising from AASB 9</p> <p>[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)</p>	December 2009	1 January 2013	<p>Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).</p>
(vi)	<p>AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]</p>	June 2010	1 July 2013	<p>Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.</p>

(vii)	AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	1 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.
(viii)	AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	1 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix)	AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]	November 2010	1 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The Council is not expected to have any qualifying transfers.

(x)	<p>AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</p> <p>[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</p>	December 2010	1 January 2013	<p>Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).</p>
(xi)	<p>AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]</p>	December 2010	1 January 2012	<p>Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.</p>
	<p>AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]</p>	December 2010	1 July 2011	<p>Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.</p>

	AASB 2009-14 Amendments to Australian Interpretations – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	1 January 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	1 January 2013	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

Notes: 1 Applicable to reporting periods commencing on or after the given date.

x. Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2009 – 5
AASB 2009 – 8
AASB 2009 – 10
AASB 2009 – 13
AASB 2010 – 1
AASB 2010 – 3
Interpretation 19

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

2. REVENUE AND EXPENSES

(a) Net Result

The Net Result includes:

	2011	2010
	\$	\$
(i) Charging as an Expense:		
Amortisation		
Capitalised Leased Assets	0	0
Auditors Remuneration		
- Audit	7,800	6,500
- Other Services	5,970	1,550
	13,770	8,050
Depreciation		
Buildings	71,644	67,162
Furniture and Equipment	9,746	7,366
Plant and Equipment	240,430	216,375
	321,820	290,903
<u>Infrastructure Assets</u>		
Roads	1,282,618	1,560,752
Footpaths	9,417	8,768
Drainage	46,433	34,803
Parks & Ovals	27,439	0
	1,365,907	1,604,323
	1,687,727	1,895,226
Interest Expenses (Finance Costs)		
Finance Lease Charges	0	0
Debentures (refer Note 21(a))	6,334	2,167
	6,334	2,167
Rental Charges		
Operating Leases	0	0

	2011 Actual \$	2011 Budget \$	2010 Actual \$
(ii) Crediting as Revenue:			
Interest Earnings			
Investments			
- Reserve Funds	44,629	0	33,066
- Other Funds (DOTARS, RTR & General)	102,625	20,000	81,571
Other Interest Revenue (refer note 26)	9,432	7,400	8,027
	156,686	27,400	122,664

(b) Statement of Objectives

Vision

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.

Council operations as disclosed in this report encompass the following service orientated activities/programs:

GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Administration and operation of facilities and services to members of council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer community.

Activities: Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Objective: To provide an operational framework for good community health.

Activities: Food quality, building sanitation and sewage.

EDUCATION AND WELFARE

Objective: To provide services to disadvantaged persons, the elderly, children and youth.

Activities: Operation of pre-school, provision of youth support.

HOUSING

Objective: Help ensure adequate housing.

Activities: Maintenance of staff and rental housing.

COMMUNITY AMENITIES

Objective: Provide services required by the community.

Activities: Rubbish collection services, operation of tip, noise control, administration of the town planning scheme, maintenance of cemetery and maintenance of public conveniences.

RECREATION AND CULTURE

Objective: To establish and manage efficiently infrastructure and resources which will help the social well being of the community.

Activities: Maintenance of halls, recreation centre and various reserves; operation of library.

TRANSPORT

Objective: To provide effective and efficient transport services to the community.

Activities: Construction and maintenance of streets, roads, bridges; cleaning of streets, depot maintenance.

ECONOMIC SERVICES

Objective: To help promote the Shire and improve its economic wellbeing.

Activities: Assistance to tourism, area promotion, building control, noxious weeds, vermin control.

OTHER PROPERTY AND SERVICES

Objective: To accurately allocate plant and labour costs across the various programs of Council.

Activities: Private works operations, plant repairs and operations costs.

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 01-Jul-09 \$	Received ⁽²⁾ 2009/10 \$	Expended ⁽³⁾ 2009/10 \$	Closing Balance ⁽¹⁾ 30-Jun-10 \$	Received ⁽²⁾ 2010/11 \$	Expended ⁽³⁾ 2010/11 \$	Closing Balance 30-Jun-11 \$
WALGGC - Prepayment	General Purpose Funding	243,376	0	(243,376)	0	268,478	0	268,478
R4R - Marinko Tomas Park	Recreation and Culture	100,000	0	(100,000)	0	0	0	0
R4R - Ablution Blocks	Community Amenities	65,370	0	(65,370)	0	0	0	0
R4R - Colocation Building	Recreation and Culture	440,000	0	(440,000)	0	0	0	0
DOTARS - Mowen Rd	Transport	72,672	1,000,000	(853,421)	219,251	5,000,000	(4,995,360)	223,891
DOTARS - Jalbarragup Bridge	Transport	796,585	0	(8,612)	787,973	0	(787,973)	0
SWDC - Cundinup BFB	Law, Order, Public Safety	5,000	0	(5,000)	0	0	0	0
RIF - Ablution Blocks	Community Amenities	19,459	0	(19,459)	0	0	0	0
R4R Capital Works Plan	General Purpose Funding	0	35,000	0	35,000	0	(16,524)	18,476
Community Development Officer	Education and Welfare	0	2,246	0	2,246	0	(1,254)	992
Community Safety Program	Law, Order, Public Safety	0	2,705	0	2,705	0	(1,705)	1,000
Age Friendly Communities	Education and Welfare	0	8,000	0	8,000	0	(3,000)	5,000
Cycle Path	Transport	0	16,625	0	16,625	0	(16,625)	0
MRD Special Bridgeworks	Transport	0	0	0	0	62,000	0	62,000
Investing in our Youth	Education and Welfare	0	0	0	0	500	0	500
SWDC - Community Fun Day	Education and Welfare	0	0	0	0	955	0	955
DoC - Centenary WA Women	Education and Welfare	0	0	0	0	500	0	500
Enable - School Holiday Prog	Education and Welfare	0	0	0	0	273	0	273
VSEG - PA System Grant	Recreation and Culture	0	0	0	0	221	0	221
Disabilities Services - Audit	Community Amenities	0	0	0	0	3,550	0	3,550
Carers Assoc - WA Carers Wk	Education and Welfare	0	0	0	0	1,000	0	1,000
DSC - Accessible Communities	Education and Welfare	0	0	0	0	9,137	0	9,137
National Youth Week	Education and Welfare	0	0	0	0	1,000	0	1,000
Country Arts - Clicking our Future	Education and Welfare	0	0	0	0	2,748	0	2,748
Clarity - Recreation Centre Drainage	Recreation and Culture	0	0	0	0	30,000	0	30,000
DAFWA - Dry Seasons Grant	Education and Welfare	0	0	0	0	15,091	0	15,091
NPFPG - Feral Pig Control	Economic Services	0	0	0	0	2,019	0	2,019
Total		1,742,462	1,064,576	(1,735,238)	1,071,800	5,397,472	(5,822,441)	646,831

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

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

(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.

3. CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Unrestricted	837,234	1,016,212
Restricted	857,638	950,015
Restricted (Other)	727,879	1,200,014
Total Cash & Cash Equivalents	2,422,751	3,166,241

The following restrictions have been imposed by regulations or other externally imposed requirements:

	Note	2011	2010
		\$	\$
Equalisation Grant - 2011/12 Pre Payment	2(c)	163,740	0
Local Roads Grant - 2011/12 Pre Payment	2(c)	104,738	0
DOTARS - Mowen Road	2(c)	223,891	219,251
DOTARS - Jalbarragup Bridge	2(c)	0	787,973
Royalties for Regions - Capital Works Plan	2(c)	18,476	35,000
Community Development Officer	2(c)	992	2,246
Investing in our Youth	2(c)	500	0
Community Safety Program	2(c)	1,000	2,705
Age Friendly Communities	2(c)	5,000	8,000
Cycle Path	2(c)	0	16,625
MRD - Special Bridgeworks	2(c)	62,000	0
SWDC - Family Fun Day	2(c)	955	0
DoC - Centenary WA Womens' Day	2(c)	500	0
Enable - School Holiday Program	2(c)	273	0
VSEG _ PA System Grant	2(c)	221	0
Disabilities Services - Accessibility Audit	2(c)	3,550	0
Carers Assoc of WA - WA Carers Week	2(c)	1,000	0
DSC - Accessible Communities	2(c)	9,137	0
National Youth Week	2(c)	1,000	0
Country Arts - Clicking our Future	2(c)	2,748	0
Clarity - Recreation Centre Drainage	2(c)	30,000	0
Dry Seasons Grant	2(c)	15,091	0
NPFPG - Feral Pig Control Program	2(c)	2,019	0
Restricted Assets		76,284	83,617
DPI Licensing		193	193
Youth Advisory Committee		3,040	501
Youth Co-ord Network		1,357	1,357
ATO liability		174	42,546
Total Other Restricted Funds		727,879	1,200,014

	2011	2010
	\$	\$
Recreation Centre Reserve	462,457	185,308
LSL Reserve	97,354	75,456
Plant Reserve	125,317	2,171
Co Location Building Reserve	0	384,130
Office Equipment Reserve	8,689	20,960
Kindergarten Building Reserve	100,000	220,359
Main Street Upgrade Reserve	63,821	61,631
Total Restricted Funds	857,638	950,015

4. TRADE AND OTHER RECEIVABLES

	2011	2010
	\$	\$
Current		
Rates Outstanding	42,444	21,628
Accrued Income	14,261	13,690
Sundry Debtors	84,634	17,732
GST Receivable	16,218	29,400
Loans - Clubs/Institutions	11,602	0
	169,159	82,450
Non-Current		
Rates Outstanding - Pensioners	28,600	24,603
Loans - Clubs/Institutions	135,640	0
	164,240	24,603

5. INVENTORIES

	2011	2010
	\$	\$
Current		
Fuel and Materials	0	0
History Books	0	0
Land Held for Resale - Cost		
Cost of Acquisition	0	0
Development Costs	0	0
	0	0
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	0	0
	0	0

6. PROPERTY, PLANT AND EQUIPMENT

	2011 \$	2010 \$
Land and Buildings - Cost	3,283,841	3,200,139
Less Accumulated Depreciation	(874,716)	(803,072)
	2,409,125	2,397,067
Furniture and Equipment - Cost	173,211	153,890
Less Accumulated Depreciation	(140,291)	(133,181)
	32,920	20,709
Plant and Equipment - Cost	3,862,589	3,363,347
Less Accumulated Depreciation	(1,223,698)	(1,191,786)
	2,638,891	2,171,561
Plant and Equipment Under Lease	0	0
Less Accumulated Amortisation	0	0
	0	0
	5,080,936	4,589,337

Movement 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 & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Leased Plant & Equipment \$	Total \$
Balance as at 1 July 2010	2,397,067	20,709	2,171,561	0	4,589,337
Additions	83,702	22,198	872,721	0	978,621
(Disposals)	0	(241)	(164,961)	0	(165,202)
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0
- Reversals	0	0	0	0	0
Depreciation (Expense)	(71,644)	(9,746)	(240,430)	0	(321,820)
Carrying amount as at 30 June 2011	2,409,125	32,920	2,638,891	0	5,080,936

7. INFRASTRUCTURE

	2011	2010
	\$	\$
Roads - management valuation	107,139,371	101,112,857
Less Accumulated Depreciation	(29,913,927)	(28,631,309)
	77,225,444	72,481,548
Footpaths - management valuation	568,420	438,420
Less Accumulated Depreciation	(94,010)	(84,593)
	474,410	353,827
Drainage - management valuation	2,509,343	2,259,343
Less Accumulated Depreciation	(314,740)	(268,307)
	2,194,603	1,991,036
Parks & Ovals - management valuation	1,405,720	1,360,720
Less Accumulated Depreciation	(523,866)	(496,427)
	881,854	864,293
	80,776,311	75,690,704

Council have adopted a policy of re-valuing with sufficient regularity to ensure the carrying amount of each infrastructure asset is fairly stated at reporting date.

This policy also accords with AASB 116.

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.

	Roads	Footpaths	Drainage	Parks & Ovals	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2010	72,481,548	353,827	1,991,036	864,293	75,690,704
Additions	6,026,514	130,000	250,000	45,000	6,451,514
(Disposals)	0	0	0	0	0
Revaluation - Increments	0	0	0	0	0
- (Decrements)	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0
- Reversals	0	0	0	0	0
Depreciation (Expense)	(1,282,618)	(9,417)	(46,433)	(27,439)	(1,365,907)
Carrying amount as at 30 June 2011	77,225,444	474,410	2,194,603	881,854	80,776,311

8. TRADE AND OTHER PAYABLES

	2011 \$	2010 \$
Current		
Sundry Creditors	148,433	2,357
Restricted Assets	76,284	83,617
GST Payable	(98)	5,529
PAYG Tax Payable	264	37,017
Withholding Tax	8	0
YAC Funds	3,040	501
Youth Co-ord Network	1,357	1,357
Accrued Expenses	36,184	321,554
DPI - Licensing	193	193
Accrued Interest on Debentures	2,912	69
Accrued Salaries and Wages	8,737	0
	277,314	452,194

9. LONG-TERM BORROWINGS

	2011 \$	2010 \$
Current		
Secured by Floating Charge		
Debentures	70,357	12,953
Lease Liability	0	0
	70,357	12,953
Non-Current		
Secured by Floating Charge		
Debentures	365,669	8,786
Lease Liability	0	0
	365,669	8,786

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	2011 \$	2010 \$
Current		
Provision for Annual Leave	172,391	188,045
Provision for Long Service Leave	129,857	117,922
	302,248	305,967
Non-Current		
Provision for Long Service Leave	3,853	0
	3,853	0

11. RESERVES - CASH BACKED

	2011 Actual \$	2011 Budget \$	2010 Actual \$
Civic Building Reserve - Recreation Centre			
Opening Balance	185,308	185,308	178,972
Amount Set Aside / Transfer to Reserve	404,130	404,130	1,317
Interest Earned	7,350	0	5,019
Amount Used / Transfer from Reserve	(134,331)	(134,331)	0
	462,457	455,107	185,308
Long Service Leave Reserve			
Opening Balance	75,456	75,456	54,323
Amount Set Aside / Transfer to Reserve	20,000	20,000	20,000
Interest Earned	1,898	0	0
Amount Used / Transfer from Reserve	0	0	1,133
	97,354	95,456	75,456
Plant Reserve			
Opening Balance	2,171	2,171	2,084
Amount Set Aside / Transfer to Reserve	353,000	230,000	230,000
Interest Earned	146	0	87
Amount Used / Transfer from Reserve	(230,000)	(230,000)	(230,000)
	125,317	2,171	2,171
Civic Building Reserve - Kindergarten Extension			
Opening Balance	220,359	220,359	218,931
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	9,407	0	6,528
Amount Used / Transfer from Reserve	(129,766)	(239,000)	(5,100)
	100,000	(18,641)	220,359
Civic Building Reserve - Co Location Building			
Opening Balance	384,130	384,130	365,574
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	22,909	0	18,556
Amount Used / Transfer from Reserve	(407,039)	(384,130)	0
	0	0	384,130
Office Equipment Reserve			
Opening Balance	20,959	20,959	20,023
Amount Set Aside / Transfer to Reserve	10,000	10,000	15,000
Interest Earned	730	0	436
Amount Used / Transfer from Reserve	(23,000)	(23,000)	(14,500)
	8,689	7,959	20,959
Main Street Upgrade Reserve			
Opening Balance	61,632	61,632	60,325
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	2,189	0	1,307
Amount Used / Transfer from Reserve	0	0	0
	63,821	61,632	61,632
	857,638	603,684	950,015

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

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

Recreation Centre reserve: to be used for the construction of a new recreation centre.

Balingup Road Caravan Park Reserve: to be used for the upgrade of the Balinup Road Caravan Park facilities.

Long Service Leave Reserve: to be used to fund long service leave requirements.

Plant & Machinery Reserve: to be used for the purchase of major plant.

Co Location Building Reserve: to be used for the construction of the Co Location building.

Office Equipment Reserve: to be used to ensure that the administration office and computer system is maintained.

Kindergarten Extension Reserve: to be used for the extension of the kindergarten.

Main Street Upgrade Reserve: to be used for the provision of underground power in the main street.

12. RESERVES - ASSET REVALUATION

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

	2011	2010
	\$	\$
Land and Buildings		
Opening balance	0	0
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>0</u>	<u>0</u>
Roads		
Opening Balance	70,198,705	84,837,233
Revaluation Increment	0	0
Revaluation Decrement	0	(14,638,528)
	<u>70,198,705</u>	<u>70,198,705</u>
Total Asset Revaluation Reserves	<u>70,198,705</u>	<u>70,198,705</u>

13. NOTES TO THE STATEMENT OF CASH FLOWS

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:

(a) Reconciliation of Cash

	2011 Actual \$	2011 Budget \$	2010 Actual \$
Cash and Cash Equivalents	2,422,751	1,574,938	3,166,241

(b) Reconciliation of Net Cash Provided by Operating Activities to Net Result

	2011 Actual \$	2011 Budget \$	2010 Actual \$
Net Result	4,820,521	7,280,690	1,177,889
Amortisation	0	0	0
Depreciation	1,687,727	1,992,255	1,895,226
(Profit)/Loss on Sale of Asset	10,784	28,000	26,891
(Increase)/Decrease in Receivables	(224,085)	53,576	422,287
(Increase)/Decrease in Inventories	0	0	0
Increase/(Decrease) in Payables	(174,876)	117,421	(25,017)
Increase/(Decrease) in Employee Provisions	(3,719)	257,822	20,126
Grants/Contributions for the Development of Assets	(6,149,748)	(11,508,631)	(3,437,434)
Net Cash from Operating Activities	(33,396)	(1,778,867)	79,968

(c) Undrawn Borrowing Facilities

	2011 Actual \$	2011 Budget \$	2010 Actual \$
Credit Standby Arrangements			
Bank Overdraft limit	0	0	0
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	0	0	0
Credit Card Balance at Balance Date	0	0	0
Total Amount of Credit Unused	0	0	0
Loan Facilities			
Loan Facilities - Current	70,357	0	12,953
Loan Facilities - Non-Current	365,669	288,786	8,786
Total Facilities in Use at Balance Date	436,026	288,786	21,739
Unused Loan Facilities at Balance Date	0	0	0

14. CONTINGENT LIABILITIES

The Shire of Nannup has no contingent liabilities as at 30 June 2011.

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	2011 \$	2010 \$
Total Lease Liability	0	0

(b) Operating Lease Commitments

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

	2011 \$	2010 \$
Payable:		
- not later than one year	7,648	6,952
- later than one year but not later than five years	9,560	9,270
- later than five years	0	0
	<u>17,208</u>	<u>16,222</u>

(c) Capital Expenditure Commitments

The Shire of Nannup has no capital expenditure contracts as at 30th June 2011.

16. JOINT VENTURE

The Shire of Nannup has no joint venture arrangement as at 30 June 2011.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2011 \$	2010 \$
Governance	1,292,204	395,412
General Purpose Funding	379,139	1,162,784
Law, Order, Public Safety	792,558	498,673
Health	28,533	28,150
Education and Welfare	176,657	264,120
Housing	365,149	370,074
Community Amenities	598,698	467,846
Recreation and Culture	1,115,563	1,223,244
Transport	81,190,591	76,699,403
Economic Services	188,864	193,485
Other Property and Services	2,215,436	1,980,137
Unallocated	270,007	270,007
Total Assets	<u>88,613,399</u>	<u>83,553,335</u>

18. FINANCIAL RATIOS

	2011	2010	2009
Current Ratio	1.77	1.60	1.44
Untied Cash to Unpaid Trade Creditors Ratio	5.64	2.77	3.79
Debt Ratio	0.01	0.01	0.01
Debt Service Ratio	0.01	0.01	0.01
Gross Debt to Revenue Ratio	0.12	0.01	0.01
Gross Debt to Economically Realisable Assets Ratio	0.06	0.01	0.01
Rate Coverage Ratio	0.26	0.40	0.30
Outstanding Rates Ratio	0.07	0.02	0.03

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

19. TRUST FUNDS

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

	Balance 01-Jul-10 \$	Amounts Received \$	Amounts Paid \$	Balance 30-Jun-11 \$
Building and Construction Industry Training Fund Levy	200	12,854	(8,210)	4,844
Builders Registration Board of WA Levy	515	2,752	(1,699)	1,568
BONDS	1,120	2,420	(1,580)	1,960
	1,835	18,026	(11,489)	8,372

20. DISPOSALS OF ASSETS - 2010/11 FINANCIAL YEAR

The following assets were disposed of during the year:

	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
Falcon Sedan Asset # 156	23,077	23,000	17,000	18,000	(6,077)	(5,000)
Falcon Sedan Asset # 158	24,149	23,000	15,000	18,000	(9,149)	(5,000)
Holden Sedan Asset # 157	25,175	24,000	15,455	18,000	(9,720)	(6,000)
Cat Grader Asset # 403	62,863	60,000	84,000	60,000	21,137	0
Nissan Ute Asset # 229	29,696	32,000	22,727	20,000	(6,969)	(12,000)
HP Laptop Computer #F61	121	0	143	0	22	0
HP Desktop Computer #F62	120	0	92	0	(28)	0
	165,201	162,000	154,417	134,000	(10,784)	(28,000)

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 01-Jul-10 \$	New Loans \$	Principal Repayments		Principal 30-Jun-11		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing L36 Carey Street	17,027	0	8,243	8,241	8,784	8,786	972	978
Community Amenities L37 S/S Community Resource Centre ¹	0	150,000	2,758	0	147,242	0	2,739	0
Transport L32 Underground Power	4,712	0	4,712	4,868	0	0	167	167
L38 Plant	0	280,000	0	0	280,000	280,000	2,456	0
	21,739	430,000	15,713	13,109	436,026	288,786	6,334	1,145

1. Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

70,357 Current

365,669 Non-Current

436,026

(b) New debentures 2010/11

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Community Amenities L37 S/S Community Resource Centre Building	150,000	0	WATC	Debenture	10	50,758	6.01	150,000	0	0
Transport L38 Plant - New Grader	280,000	280,000	WATC	Debenture	5	45,872	5.62	280,000	280,000	0

(c) Unspent Debentures

There were no unspent debentures in 2010/11.

(d) Overdraft

Council does not have an overdraft facility to assist with short term liquidity requirements.

22. RATING INFORMATION - 2010/11 FINANCIAL YEAR

RATE TYPE	Rate in Dollar \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV - General	0.066677	331	4,733,776	314,072	4,803	0	318,875	322,534	1,000	0	323,534
UV - General	0.002186	233	152,452,379	333,236	(53)	0	333,183	331,966	1,200	0	333,166
Sub Totals	Minimum \$	564	157,186,155	647,308	4,750	0	652,058	654,500	2,200	0	656,700
Minimum Rates											
GRV - General	550	325	2,030,092	178,750	1,650	0	180,400	174,350	0	0	174,350
UV - General	570	196	28,529,962	111,720	(2,850)	0	108,870	111,150	0	0	111,150
Sub-Totals		521	30,560,054	290,470	(1,200)	0	289,270	285,500	0	0	285,500
Ex-Gratia Rates Specified Area Rate (refer note 23)							941,328				942,200
							0				0
							0				0
Discounts (refer note 25)							941,328				942,200
							0				0
Totals							941,328				942,200

23. SPECIFIED AREA RATE - 2010/11 FINANCIAL YEAR

The Shire of Nannup did not impose any specified area rates for the year ended 30 June 2011.

24. SERVICE CHARGES - 2010/11 FINANCIAL YEAR

The Shire of Nannup did not impose any service charges for the year ended 30 June 2011.

25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS - 2010/11 FINANCIAL YEAR

	Type	Disc	Total Cost/ Value	Budget Cost/ Value
		%	\$	\$
Council Function Room Hire	Waiver	100%	518	0
Nannup Town Hall Hire	Waiver	100%	4,285	0
Nannup Town Oval Hire	Waiver	100%	824	0
			5,627	0
Photocopy Charge ¹	Waiver	100%	343	0
			5,970	0

1. Estimated value only.

Photocopy Charges are waived for certain community groups such as the local newsletter, and Volunteer Bush Fire Brigade. Council considered support of these groups necessary for the overall benefit of the community.

26. INTEREST CHARGES AND INSTALMENTS - 2010/11 FINANCIAL YEAR

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2010, 24th November 2010, 2nd February 2011 and 6th April 2011. Administration charges and interest applied for the final three instalments.

	Interest Rate	Admin. Charge	Revenue	Budgeted Revenue
	%	\$	\$	\$
Interest on Unpaid Rates	11.00%		6,574	4,500
Interest on Instalments Plan	5.50%		2,858	2,900
			9,432	7,400
Charges on Instalment Plan		5	3,260	2,900
			12,692	10,300

27. FEES & CHARGES

	2011	2010
	\$	\$
Governance	0	0
General Purpose Funding	116,576	71,599
Law, Order, Public Safety	4,796	1,803
Health	3,932	1,808
Education and Welfare	0	0
Housing	15,137	34,653
Community Amenities	105,075	83,548
Recreation and Culture	29,836	9,203
Transport	182	0
Economic Services	26,275	27,498
Other Property and Services	79,615	42,547
	<u>381,424</u>	<u>272,659</u>

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

28. GRANT REVENUE

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

	2011	2010
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,258,903	946,419
Non-Operating Grants, Subsidies and Contributions	6,155,110	3,251,606
	<u>7,414,013</u>	<u>4,198,025</u>
By Program:		
Governance	0	0
General Purpose Funding	1,020,375	1,004,819
Law, Order, Public Safety	528,654	212,055
Health	0	0
Education and Welfare	56,886	13,985
Housing	0	0
Community Amenities	0	28,767
Recreation and Culture	85,226	196,124
Transport	5,625,830	2,727,275
Economic Services	97,042	15,000
Other Property and Services	0	0
	<u>7,414,013</u>	<u>4,198,025</u>

29. ELECTED MEMBERS REMUNERATION

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

	2011 Actual	2011 Budget	2010 Actual
	\$	\$	\$
Meeting Fees	11,242	12,650	6,600
President's Allowance	10,000	8,000	6,000
Deputy President's Allowance	0	2,000	0
Travelling Expenses	7,077	9,200	4,971
Telecommunications Allowance	6,004	9,350	8,520
	34,323	41,200	26,091

30. EMPLOYEE NUMBERS

	2011	2010
The number of full-time equivalent employees at 30 June	25.0	23.8

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2010/11 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2010/11 financial year.

33. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	2,422,751	3,166,241	2,422,751	3,166,241
Receivables	333,399	107,052	333,399	107,052
	2,756,150	3,273,293	2,756,150	3,273,293
Financial Liabilities				
Payables	277,314	452,194	277,314	452,194
Borrowings	436,028	21,739	436,028	21,739
	713,342	473,933	713,342	473,933

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

Income from investments is a significant element of the Council's income; a variation of a 1% movement in interest rates on cash and investments would have the following effect:

	2011	2010
	\$	\$
- Equity	24,228	31,662
- Statement of Comprehensive Income	24,228	31,662

(b) Receivables

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

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

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

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

	2011	2010
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	71.56%	21.10%
- Overdue	28.44%	78.90%

(c) Payables – 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. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

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

	Due Within 1 year	Due Between 1 & 5 years	Due After 5 years	Total Contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2011					
Payables	277,314	0	0	277,314	277,314
Borrowings	70,357	283,234	82,435	436,026	436,026
	368,366	283,234	82,435	734,035	734,035
2010					
Payables	452,194	0	0	452,194	452,194
Borrowings	14,095	9,217	0	23,312	21,739
	466,289	9,217	0	475,506	473,933

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

Year Ended 30 June 2011							Weighted Average Effective Interest Rate %
	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 3 years \$	Between 3 & 4 years \$	Between 4 & 5 years \$	More than 5 years \$	
Payables							
Borrowings							
Fixed Rate							
Debentures	70,357	64,835	68,743	72,723	76,933	82,435	436,028
Weighted Average Effective Interest Rate	6.04%	5.82%	5.82%	5.82%	5.82%	6.01%	5.89%
Year Ended 30 June 2010							
Payables							
Borrowings							
Fixed Rate							
Debentures	4,712	17,027	0	0	0	0	21,739
Weighted Average Effective Interest Rate	6.85%	6.50%					6.58%



PARTNERS

Clifton M Anderson FCA, JP	Stuart Fricker CPA, GAICD
Stephen FJ Down CA	Tim Partridge FCA
Shaun G O'Callaghan CA	
Peter Manolas CPA (Master of Taxation Law)	

ASSOCIATES

Maria Cavallo CA	Shane Kaurin CPA
Steven Cluning CA	

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial report of the Shire of Nannup which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2011, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Council's responsibility for the financial report

The Council of the Shire of Nannup is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Local Government Act 1995, and for such internal control as Council determines necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatements of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluation the overall presentation of the financial report.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards so as to present a view which is consistent with our understanding of the Shire of Nannup's financial position, the results of its operations, its changes in equity and its cash flows.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



**Chartered
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Opinion

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

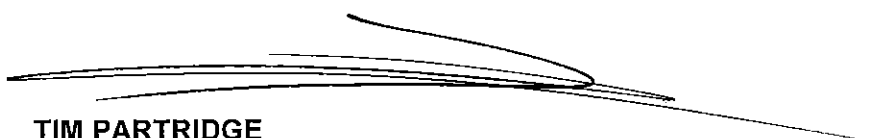
- i. gives a true and fair view of the Shire of Nannup's financial position as at 30 June 2011 and of its performance for the financial year ended 30 June 2011; and
- ii. complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- iii. are prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under that Act.

Statutory Compliance

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

- i. There are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire of Nannup.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit with exception of the following:
 - Council has prepared Financial Activity Statement Reports; however on occasion reports prepared did not comply with the requirements of Local Government (Financial Management) Amendment Regulation 34, due to explanations of material variances not being included within monthly Financial Activity Statement Reports.
 - Council's 30 June 2010 annual financial report and audit report was provided to Council on the 9 December 2010; however the 30 June 2010 annual financial report was not submitted to the Department within 30 days of receipt of the auditor's report as required by section 51(2) of the Local Government (Financial Management) Regulations 1996.
 - Council's 2010/2011 annual budget was adopted by Council on the 26 August 2010; however the 2010/2011 annual budget was not submitted to the Department within 30 days of its adoption as required by section 51(2) of the Local Government (Financial Management) Regulations 1996.
 - Council's 2010/2011 annual budget did not disclose the due dates of each rate instalment under each option as required by section 27(c)(i) of the Local Government (Financial Management) Regulations 1996.
 - Council's 2010/2011 annual budget did not include the rate setting statement for the previous financial year as required by section 30(1)(c) of the Local Government (Financial Management) Regulations 1996.
- iii. All necessary information and explanations were obtained by us.
- iv. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE

Partner

Bunbury, Western Australia

Dated this 13th day of January 2012

AGENDA NUMBER:
SUBJECT: Compliance Audit Return 2011
LOCATION/ADDRESS:
NAME OF APPLICANT: Shire of Nannup
FILE REFERENCE: ADM 14
AUTHOR: Vic Smith – Manager Corporate Services
DISCLOSURE OF INTEREST: Nil
DATE OF REPORT: 9 February 2012

Attachment: Completed 2011 Compliance Audit Return

BACKGROUND:

Council is required by section 14 of the Local Government Audit Regulations 1996 to complete a Compliance Audit Return each year covering the period 1 January to 31 December. The Compliance Audit Return is to be:

1. Presented to Council at a meeting of the Council.
2. Adopted by the Council.
3. The adoption recorded in the minutes of the meeting at which it is adopted.
4. Signed by the Shire President and Chief Executive Officer and returned to the Department of Local Government with a copy of the Council minutes of the meeting at which it was received.

A new requirement has been introduced in that the 2011 return must also be reviewed by the Audit Committee prior to its adoption by Council.

COMMENT:

The Annual Compliance Audit Return contains 78 questions of which:

- 50 were complied with;
- 5 were not complied with; and
- 23 were not applicable to the Shire of Nannup during the year under review.

The areas of non-compliance were:

1. Officer Delegations

Whilst all delegations to officers were fully recorded in a Delegations Register as required by the legislation, these delegations were not reviewed during the year. A review will be carried out in 2011 to revise the delegations in the light of the new management structure.

2. Disclosure of Interests

Members disclosed their interests in matters under consideration by Council during 2011 as required by the legislation; these declarations were concerning matters affecting impartiality except for one, which was a proximity interest. In each case the member remained, participated in the debate and voted. The

minutes should have recorded the decision to allow the member to participate in the debate but this was not done.

The other instance of non-compliance in this area was that written acknowledgement of the Annual Declarations by members and officers was not provided.

3. Auditor's Report

Members will be aware that delays have been experienced in preparing material for the annual audit of the financial statements. These delays meant that the auditor was unable to finalise the audit by the statutory deadline of 31 December. The audit has been completed and the auditor's report has been submitted to this meeting. The Manager Corporate Services will ensure that information for the 2011/12 audit is provided in a timely manner.

STATUTORY ENVIRONMENT: Local Government Audit Regulations 1996.

POLICY IMPLICATIONS: Nil.

FINANCIAL IMPLICATIONS: Nil.

STRATEGIC IMPLICATIONS: Nil.

VOTING REQUIREMENTS: Simple Majority

RECOMMENDATION:

That Council adopt the Local Government Compliance Audit Report for the Shire of Nannup for the period 1 January 2011 to the 31 December 2011, and submits the report to the Department of Local Government as required.

4. CLOSURE OF MEETING



Government of Western Australia
Department of Local Government

Nannup - Compliance Audit Return 2011

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2011.	N/A	The Shire has no major trading undertakings within the meaning of the Act.	Vic Smith
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2011.	N/A	The Shire has no major trading undertakings within the meaning of the Act.	Vic Smith
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2011.	N/A	The Shire has no major trading undertakings within the meaning of the Act.	Vic Smith
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2011.	N/A	The Shire has no major trading undertakings within the meaning of the Act.	Vic Smith
5	s3.59(5)	Did the Council, during 2011, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	The Shire has no major trading undertakings within the meaning of the Act.	Vic Smith



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Vic Smith
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Vic Smith
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Vic Smith
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Vic Smith
5	s5.18	Has Council reviewed delegations to its committees in the 2010/2011 financial year.	N/A		Vic Smith
6	s5.42(1), 5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Vic Smith
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Vic Smith
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Vic Smith
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Vic Smith
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A		Vic Smith
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Vic Smith
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2010/2011 financial year.	No	Delegations last reviewed August 2010	Vic Smith
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Vic Smith
Disclosure of Interest					



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No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	No	On a number of occasions members declared interests under section 5.87 but remained and participated in the item concerned. There was one instance of a proximity interest being disclosed where the member remained and participated in the debate. The minutes do not record the extent of participation allowed (see below)	Vic Smith
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	No		Vic Smith
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Vic Smith
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Vic Smith
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Vic Smith
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2011.	Yes		Vic Smith
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2011.	Yes		Vic Smith
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	No		Vic Smith
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Vic Smith
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Vic Smith
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Vic Smith



Government of Western Australia
Department of Local Government

No	Reference	Question	Response	Comments	Respondent
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Vic Smith
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Vic Smith
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Vic Smith
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Vic Smith
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Vic Smith

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A		Vic Smith
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Vic Smith

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A		Vic Smith

Finance



Government of Western Australia
Department of Local Government

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Vic Smith
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	Yes		Vic Smith
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Vic Smith
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	Yes		Vic Smith
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Vic Smith
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2011 received by the local government within 30 days of completion of the audit.	Yes		Vic Smith
7	s7.9(1)	Was the Auditor's report for 2010/2011 received by the local government by 31 December 2011.	No	Auditor's report received in February 2012.	Vic Smith
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Vic Smith
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Vic Smith
10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Vic Smith
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Vic Smith
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Vic Smith



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No	Reference	Question	Response	Comments	Respondent
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Vic Smith
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Vic Smith
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Vic Smith

Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	Yes		Vic Smith
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes		Vic Smith
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	Yes		Vic Smith
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	Yes		Vic Smith
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Vic Smith



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Vic Smith
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Vic Smith
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Vic Smith
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Vic Smith
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Vic Smith
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c).	Yes		Vic Smith

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Vic Smith
2	F&G Reg 12	Has the local government entered into multiple contracts only where avoiding the requirement to call tenders for a single contract in accordance with F&G Reg 11(1) was not a significant reason for doing so.	N/A		Vic Smith
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes		Vic Smith
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Vic Smith



Government of Western Australia
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No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Vic Smith
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A		Vic Smith
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Vic Smith
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Vic Smith
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Vic Smith
10	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Vic Smith
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A	No expressions of interest were invited in 2011.	Vic Smith
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A	No expressions of interest were invited in 2011.	Vic Smith
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A	No expressions of interest were invited in 2011.	Vic Smith
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	Yes		Vic Smith
15	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less.	Yes		Vic Smith