



Shire of Nannup

Annual Report
for
2013/14

SHIRE OF NANNUP ANNUAL REPORT FOR 2013/14

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SHIRE PRESIDENT'S REPORT 2013/14

I am very pleased to present the 2013/14 annual report for our Nannup community. In this year, our focus on relationships and results continued with the ongoing delivery of several key projects and genuine engagement with our community. The basis for our work has been the Community Plan, a document that captures the aspirations of this community and translates them into a map for a sustainable future.

Our landmark project, the construction of Mowen Road now has only one year left, with the first seal of the road being completed in early 2014. Many of our businesses are already providing positive feedback on earnings and customers, which is backed up by comparisons of historic and current car counts. Two of our other major projects have also seen success and challenge. With the documentation well progressed, the Main Street project initially suffered a funding setback with a change in State Government policy, but is now back on track. The Recreation Centre documentation was finalised and work commenced in late 2014. In both projects, considerable community consultation resulted in the best possible options with the given resources.

In 2013, we welcomed Councillor Anne Slater as well as the return of Cr Mellema (as Deputy Shire President) and Cr Gilbert. It is the work of a unified Council team that creates the strongest results, and for this I sincerely thank all Councillors. I also thank our CEO, senior managers and all our staff and volunteers who work so hard to deliver an innovative, aspirational, ambitious and effective service to our community.

We are particularly proud of the youth and community projects commenced in 2013/14. The youth camps, movies by moonlight and after school art programs in particular are innovative projects that have drawn high praise for their relevance and enjoyment. Ongoing partnership and advocacy meetings with the community also continue to provide strong results.

And finally, it is the successful long term financial and planning work that we are undertaking, that is setting the future for Nannup. The potential development of trails along with land on the south coast may provide the opportunity for community access to our coast as well as potential economic development. Our aim to have sustainable rate increases after 2016/17 is well on track and we hope will be recognised as one of the greatest contributions of this Council to our community.

**CR TONY DEAN
SHIRE PRESIDENT**

OUR COMMUNITY STATEMENT

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

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

Our leaders provide for and listen to all of us.

Our Community

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

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

Our Economy

Sustainability is the key to Nannup's future

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

Our Built Environment

Keep the charm and fabric of Nannup

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

Our Natural Environment

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

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

Our Community Leadership

We listen to our community leaders

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

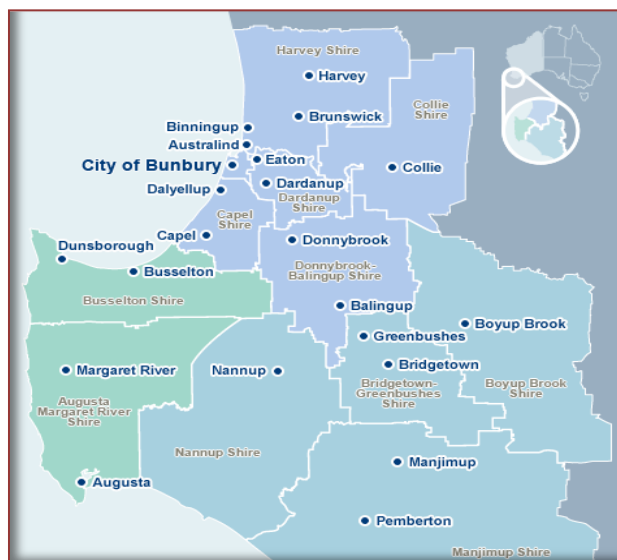
Our Council Leadership

A listening leadership that provides for and represents all

- A listening leadership that provides and represents all
- To do what is right and fair for the people

BRIEF BACKGROUND ON NANNUP

Location



Nannup is situated 288km south of Perth and is geographically in the centre of the South West. The Shire of Nannup covers over 3,000 square kilometres, with a total population of 1,262 (2011 Census). Eighty-five percent of the Shire is under forest; however the rich soils, high rainfall and an excellent climate also provide ideal conditions for farming. Environment and heritage play a large role in the community's culture. Nannup boasts a variety of successful industries including beef cattle, horticulture, tourism, arts and crafts, floriculture, aquaculture, viticulture and timber processing.

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

History

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

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

COUNCIL STRUCTURE

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

Council is the decision making body on all policy matters. It meets monthly, with Ordinary Meetings of Council being held on the fourth Thursday of every month commencing at 4.15 pm. Members of the public are welcome to attend all meetings of Council and public question time of at least 15 minutes duration is scheduled at the commencement of all public meetings. Agendas for Ordinary Council Meetings are available to members of the public four days prior to meetings. Minutes are placed on display in the Nannup Library within ten working days after each meeting.

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

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

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

The work of Council is informed by a number of committees and working groups. The need for these committees and working groups and their terms of reference are reviewed after each election; the last review was in November 2013. The current committees are:

- Audit Advisory Committee (8 councillors)
- Risk Management Advisory Committee (2 councillors)
- Bush Fire Advisory Committee (2 councillors)
- Local Emergency Management Advisory Committee (3 councillors)
- Australia Day Advisory Committee (4 councillors)

Council established the following Working Groups:

- Warren Blackwood Strategic Alliance (2 councillors)
- Plant Replacement Group (3 councillors)

The following page provides details of councillors as at 30 June 2014.

NANNUP SHIRE COUNCILLORS

30 JUNE 2014

SHIRE PRESIDENT:	Cr Tony Dean
WARD:	Central
RETIRING:	2015
ADDRESS:	Lot 139 Vasse Highway Nannup WA 6275
PHONE:	Ph/Fax 9756 0680
EMAIL:	shirep@nannup.wa.gov.au
DEPUTY SHIRE PRESIDENT:	Cr Robin Mellema
WARD:	South
RETIRING:	2017
ADDRESS:	Loc 4184 Blythe Road Nannup WA 6275
PHONE:	Ph/Fax 9756 1156
EMAIL:	robin.mellema@education.wa.gov.au
COUNCILLOR:	Cr Charles Gilbert
WARD:	Central
RETIRING:	2017
ADDRESS:	17 Adam Street Nannup WA 6275
PHONE:	Ph/Fax 9756 1184
EMAIL:	gilbertce@bigpond.com
COUNCILLOR:	Cr Bob Longmore
WARD:	North
RETIRING:	2015
ADDRESS:	15 Blackwood River Drive Nannup WA 6275
PHONE:	Ph/Fax 9756 0308
EMAIL:	longmore@westnet.com.au
COUNCILLOR:	Cr Joan Lorkiewicz
WARD:	South
RETIRING:	2015
ADDRESS:	PO Box 53 Nannup 6275
PHONE:	Ph/Fax 9756 1129
EMAIL:	jav_vjl@hotmail.com
COUNCILLOR:	Cr Anne Slater
WARD:	North
RETIRING:	2017
ADDRESS:	PO Box 315 Nannup WA 6275
PHONE:	9756 1997
EMAIL:	aslates@westnet.com.au
COUNCILLOR:	Cr Norm Steer
WARD:	Central
RETIRING:	2015
ADDRESS:	30b Walter Road Nannup WA 6275
PHONE:	Ph/Fax 9756 1597
EMAIL:	norman.steer5@bigpond.com
COUNCILLOR:	Vacant
WARD:	North
RETIRING:	2017
ADDRESS:	
PHONE:	
EMAIL:	

ADMINISTRATIVE FUNCTIONS

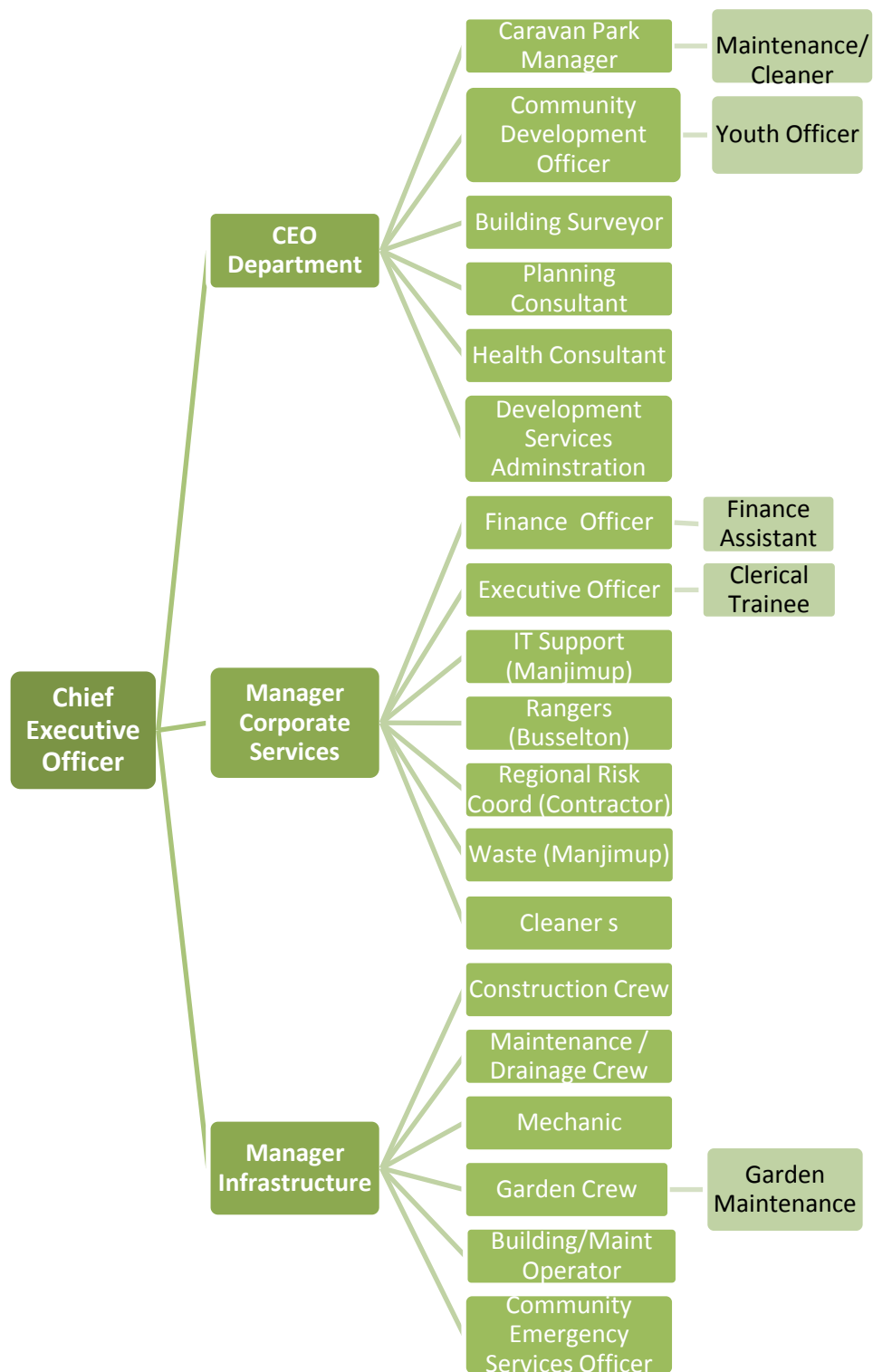
Council adopts Policies on a variety of issues to act as a guide for Officers of the Shire and to provide the basis for decision making. All current Policies are contained within the Council's Policy Manual, along with a register of authorised delegations made by the Council to assist with the efficient administration of the municipality.

The Chief Executive Officer has delegated authority from Council to make decisions on a number of specified administrative and policy matters.

The Chief Executive Officer is also responsible for establishing the employment structure needed to implement Council's policies. The staffing structure in 2013/14 comprised 26.51 full time equivalent employees. In addition, approximately eight full time casual employees were engaged in construction work on Mowen Road.

The following page provides a visual breakdown of the current staffing structure.

Shire of Nannup Organisational Chart as at 30 June 2014



CHIEF EXECUTIVE OFFICER'S REPORT 2013/14

This year, as we moved to greater maturity as an organisation, we have been able to take on more effective strategic planning and economic development as well as to progress key projects and operational activities.

The review of the local planning strategy is a visionary undertaking that will set the tone for future development in the Shire of Nannup. Whilst the delivery of the end result will take several years, we seek to retain that unique character and essence of Nannup whilst retaining our growth aspirations. The year also marked the 85% completion of the backlog of planning and building issues that had been identified in the previous two years.

Our ongoing road, landscaping and bridge programs have always delivered good results and this year numerous roads were reconstructed, along with a bike and footpath along Carey Street and works to Maidments Bridge. The development of a trails hub started with the planning for a town centre heritage trail and a bridle trail connecting the coast to the centre.

The economic development presentations and the results of that consultation have led to the accomplishment of a number of initiatives, including promotion of the Mowen Road completion, the Main Street revitalisation focus and a '19 things to do in Nannup campaign'. Strong advocacy work has been done on seeking greater mobile phone coverage for the region. The visitor centre services were also supported for another year, with support from the Nannup Community Resource Centre. Brockman Street Caravan Park works also started in earnest this year and reached the 60% completion mark.

Most importantly, I sincerely wish to thank our amazing team and volunteers, who work so hard to manage all of the strategic and operational elements of the role from road, park, building and footpath maintenance, ongoing support of our aged and youth community (and everything in between), emergency services, library services, administration of the office, health building and planning services, finance and economic development.

A special thank you for another year of excellent support from Councillors and our Shire President, Cr Tony Dean in the 2013/14 year.

**ROBERT JENNINGS
CHIEF EXECUTIVE OFFICER**

WORKS & SERVICES REPORT 2013/14

The final 11kms of Mowen Road is now primer sealed and the road is permanently open. Next year will see further works including shoulder and drainage maintenance plus a final seal over the full 32kms. These works will all be done with traffic management which will mean only minimal delays in normal traffic flow.

Directional signage will soon be erected by Main Roads and a promotional strategy is currently being developed in consultation with neighbouring Shires and Tourist Centres. Main street traders have identified that business has already increased with Mowen Road now sealed.

Council construction works included

Balingup Road	1.5km reseal	\$75k	Regional Road Group
Cundinup South Road	Reconstruction	\$75k	Regional Road Group
Fouracres Road	1.5km construction	\$90k	Regional Road Group
East Nannup Road	1.5km construction	\$108k	Roads To Recovery
Gold Gully Road	Clearing	\$100k	Roads To Recovery
Mowen Road Construction	Construction	\$2.4	MRWA
Town Reseals	Construction	\$50k	Council

The Council's plant replacement program included the replacement of two smaller trucks and a multi tyred roller.

There were few staff changes in 2013/14. Staffing levels were 11 fulltime outside employees, two full time gardeners and a full time plant mechanic/supervisor plus casual staff as required.

The town garden enhancement program continued throughout the town site. Other major works for this financial year included fire incident support.

**CHRIS WADE
MANAGER INFRASTRUCTURE**

COMMUNITY DEVELOPMENT REPORT 2013/14

The Community Development portfolio increased over the past year to incorporate economic development and to manage tourism services. The Visitor Information Service contract was awarded to the Nannup Community Resource Centre and a promotions budget developed to support this initiative. A regional map was created and marketing activities developed in partnership with Australia's South West and the Blackwood River Valley Marketing Association.

Council assisted to host the Regional Tourism Forum and from this, the planning for the establishment of a Local Tourism Organisation that incorporates the Southern Forests and Blackwood River Valley regions has commenced.

A series of workshops were hosted for businesses, individuals and community groups focusing on agricultural culinary trails and promotion, grant writing, economic sustainability and targeting main street traders to increase walk in trade and their selling potential.

Meetings were held with Rio Tinto Busselton to encourage FIFO residents to reside in Nannup.

Following the success of the *Drift* filming in Nannup a regional group was established to encourage further filming in the area. Film South West meets on a quarterly basis to progress these aims and meet with film producers and industry delegates.

Funding applications have been submitted to complete the Recreation Precinct construction project and community development initiatives. Grant funding of \$71,086 was received in the financial year 2013/14 to assist with the development of Council's projects, including the Recreation Precinct upgrade, footpath program, cultural and youth activities. Kidsport, funded through the Department of Sport and Recreation, assisted 142 young people to actively engage in recreation activities in the Shire.

In partnership with the Nannup Historical Society a Heritage Trail project commenced to acknowledge the significant properties in the townsite.

Scott River Bridle Trail planning commenced, that will potentially link with the regional bridle trail from Bridgetown to Broke Inlet. Consultation was also undertaken on the South West Mountain Bike Master Plan.

The very successful Well Being Warren Blackwood project concluded and the project activities are being sustained by community organisations and businesses.

The Nannup Aged Housing Report was adopted by Council and negotiations have commenced to hand over the management of the Danjangerup Cottages to a management organisation.

The Centenary of the Nannup Town Hall was celebrated in September and the Australia Day breakfast was moved to the Foreshore Park due to an increased growth in participation.

Planning for a community bus commenced and Council supported the Seniors Christmas luncheon at the Bowling Club.

Family Fun Day, held in January, was a great success for families and attracted a large number of participants. Funding received through the *Count Me In* project continues to encourage young people with a disability to fully engage in community activities. Library rhyme time, after school art and camps as part of school holiday activities program have been boosted through this program.

The dedicated youth space developed at the rear of the Town Hall continues to engage young people and this space has been well utilised people for the weekly YAC meetings and activities.

Other successful community and youth initiatives include the “Movies by Moonlight” film screenings at the Foreshore Park, the YAC Christmas party hosted at the youth space, National Youth Week YAC Attack Beach festival and Scott River youth activities.

Partnerships have been formed with the Shire of Augusta Margaret River and the City of Busselton to encourage greater engagement of youth throughout the region.

LOUISE STOKES
COMMUNITY DEVELOPMENT OFFICER

STATUTORY COMPLIANCE REPORT

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

Competitive Neutrality – Business Activities

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

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

Freedom of Information Act 1992 - Information Statement

Council adopted its Information Statement on 23 November 2000. This Statement was prepared in accordance with the Freedom of Information Act 1992, and associated guidelines. The Statement was last reviewed by Council on 28 November 2013.

Disability Access and Inclusion Plan

The Disability Services Amendment Act 2004 introduced a requirement for Councils to produce a Disability Access and Inclusion Plan. Council submitted a revised Disability Access and Inclusion Plan to the Disability Services Commission who accepted the Plan. Council reviewed the updated plan on 28 November 2013.

State Records Act 2000 – Record Keeping Plan

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

Overview of Plan for the Future

Council's Plan for the Future is articulated in the Strategic Community Plan and the Corporate Business Plan.

In terms of major initiatives proposed to commence or continue in the next financial year Mowen Road is the main infrastructure project Council is involved with and this is expected to be completed in 2015 with the final sealing of the road. Plans for the redevelopment of the recreation centre are well advanced and construction commenced in June 2014. Council has also consulted on the redevelopment of the Main Street and has implemented a program to upgrade the Brockman Street Caravan Park. The contract for the management of the park was tendered in August 2014 and the successful tenderer will commence operations in December 2014.

Employee Remuneration

During 2013/14 the number of employees whose remuneration exceeded \$100,000 (excluding benefits in kind) was as follows:

Band	No.
\$100,000 - \$110,00	0
\$110,001 - \$120,000	1
\$120,001 - \$130,000	1

Complaints under Section 5.121 of the Local Government Act 1995

No complaints relating to this section of the Local Government Act were received in 2013/14.

GOVERNANCE REVIEW

Scope of Responsibility

The Shire of Nannup is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Chief Executive Officer also has a duty under the Local Government (Audit) Regulations 1996 to carry out a review of legislative compliance, internal control and risk management, at least a biennially, and to present the results of this review to the Council's Audit Committee. The Audit Committee is to consider the CEO's review and report the results of the review to Council.

This statement explains how the Shire of Nannup meets the requirements of the Local Government (Audit) Regulations 1996.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Shire of Nannup for the year ended 30 June 2014 and up to the date of the approval of the Annual Report.

The Governance Framework

The Council describes its vision, aims and objectives for the Shire of Nannup in the Strategic Community Plan and the Corporate Business Plan. The Council aims to have clear channels of communication with all sections of the community and other stakeholders, to ensure accountability and encourage open consultation.

The Council has adopted a Standing Orders Local Law that sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Council's Policy Manual contains rules and procedures that govern decision making and this is supplemented by a Register of Delegations, which details the powers delegated to council officers. The Policy Manual and the Register of Delegations are regularly reviewed.

The Audit Committee operates to provide independent assurance to the Council on issues such as the effectiveness of the internal control environment.

The Council aims to ensure that all Members and Officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities effectively. The Council recognises the value of a well-trained, competent workforce.

Review of Effectiveness of the Governance Framework

The Chief Executive Officer has responsibility for conducting, at least biennially, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Senior Management Team (who have responsibility for the development and maintenance of the governance environment), the completion of the statutory Compliance Audit Return and also by comments made by the external auditors.

The Council has continued to strengthen its overall governance arrangements throughout the year by ensuring that statutory requirements are met and that deadlines for the submission of reports and returns are complied with.

In year review mechanisms include:

1. Council considers and reviews financial performance reports on a monthly basis, comprising the monthly budget review and scrutiny of expenditure. Councillors are also committed to upholding good governance through their role at the heart of the decision-making process.
2. As the officers with overall responsibility for governance across the organisation, the Senior Management Team meet fortnightly to discuss strategic issues and track the progress of council priorities.
3. The Council reviews key corporate documents on an annual basis, including the Policy Manual, Register of Delegations and the Freedom of Information Statement.
4. The Audit Committee reviews and approves risk management updates and the reports from the external auditor, including the Management Letter.
5. The review and monitoring of strategic risks is undertaken by the Senior Management Team and is reported to the Risk Management Advisory Committee.
6. Council considers a monthly progress report on the initiatives set out in the Corporate Business Plan.

The following formal reviews were carried out during the year:

1. External Auditor – Management Letter 2012/13

The Management Letter was reported to the Audit Committee on 28 November 2013 and summarised the findings from the 2012/13 audit of the Council's financial statements. The report gave an unqualified opinion confirming that the financial statements were free from material error.

The auditors made eight recommendations as a result of the audit, with six classed as moderate and two as minor. Four of the recommendations rated as moderate related to weaknesses in internal control:

- PAYG returns to the ATO had not been reconciled to the general ledger balance. This matter has been addressed and monthly reconciliations are now undertaken.

- The bank audit certificate listed cheque signatories that were out of date. All cheque signatories have been reviewed and only current signatories are now listed.
- There were weaknesses in the reconciliation and collection of rates debts. The major issue relating to collection was a disputed charge to a government department; officers have carried out a detailed investigation and are actively pursuing this debt. No progress has as yet been made in reconciling the rate debtors to the general ledger balance and reviewing this on a monthly basis.
- There was a weakness noted in reporting the expenditure on corporate credit cards to Council as part of the monthly payments report. This issue has been addressed.

2. Compliance Audit Return 2013

The Compliance Audit Return reviews Council's compliance with significant legislative requirements. The Compliance Audit Return for 2013 did not report any areas of non-compliance with acts and regulations.

The Chief Executive Officer confirms that there were no significant internal control issues that:

- required formal action under the Local Government Act 1995
- required significant additional funding
- had a material impact on the accounts
- resulted in significant public interest damaging the reputation of the Council.

The areas to be specifically addressed with new action plans are outlined below.

Significant Governance Issues

The report for 2013 noted that there was one instance of failure to comply with statutory deadlines for the submission of the monthly monitoring report to Council. All the reporting of monthly budget monitoring in 2013/14 met the statutory guidelines.

The Council's external auditors carried out a review of the Financial Management System in 2012. Whilst the conclusion of the review was that operating procedures and systems were adequate and operating effectively, the auditors made a number of recommendations to improve internal control. The high priority issues were:

- three monthly monitoring reports did not meet the statutory deadline for reporting set out in the Local Government Act
- Cash collection procedures at the Waste Management Facility should be improved.

As noted above the monthly reporting of budget monitoring to Council is now fully compliant with legislative requirements. Cash collection procedures at the Nannup Waste Management and Recycling Facility have also been improved and monthly receipting of income from the contractor is now being effectively undertaken.

As noted in the Management Letter for 2012/13 from the council's external auditors, weaknesses remain in the reconciliation of the rating system to the general ledger. While some initial investigative work has been undertaken to investigate the reasons for discrepancies between the rating system and general ledger this has not yet been completed and this remains a priority for the forthcoming year

The council has experienced a number of IT security breaches during the year and a failure of its arrangements for backing up data. There were two types of security breaches involving the infection of desktop computers by viruses:

- denial of access to files
- suspension of internet services as a result of transmitting spam.

Neither of the security breaches resulted in financial loss or the loss of personal data.

Effective back up arrangements allowed the council to recover from the virus denying access to files. Back up arrangements were reviewed and improved during the year and are once again proving to be effective.

Computer viruses will continue to be a significant threat. In response to the infections experienced in 2014 the IT security software has been reviewed and processes improved to prevent and detect virus infections. The performance of the council's IT security systems will continue to be closely monitored.

The Corporate Business Plan includes the development of an effective strategic risk management framework as a high priority and significant work has been undertaken to develop the risk management process in 2013/14.

During the year the risk management framework has been developed that sets out the reporting and monitoring arrangements and the council's level of risk tolerance has been agreed. Preliminary work on risk identification had been completed in 2012/13 as reported in last year's statement and this was supplemented by a strategic risk workshop with councilors and senior staff in May 2014. This workshop identified the most significant risks faced by the council in achieving the objectives set out in its Community Plan and were documented to form the council's Strategic Risk Register. The review of this document is undertaken on a quarterly basis by the Risk Management Advisory Committee.

The following strategic risks have been identified as the most significant, exceeding the council's agreed risk tolerance:

1. **Structural Reform of the Shire** - Unknowns and uncertainties associated with Local Government structural reform resulting in impacts to the Shire's current and future identity.
2. **DPaW Land Management** - Inability to influence Department of Parks and Wildlife activities, management and usage of their land that is 85% of the Shire.
3. **Reliance on External Funding** - Inability to deliver expected services due to variation, change or withdrawal of Federal/State Government funding.
4. **Economic Development** - Inability to capitalise on economic development opportunities including agriculture, tourism, woodcraft, recreation, emergency management institute, Mowen Road.
5. **Sustainability of the Shire** – Shire is unable to secure the financial, material and human resources required to provide statutory services.

There are weaknesses in the council's business continuity arrangements. Work has been completed to ensure that council administrative services can continue during a sustained power interruption and these arrangements have been tested during periods of planned power upgrades carried out by Western Power. However, the council lacks a formal Business Continuity Plan to cover this and other possible threats and developing such a plan is a priority for 2014/15.

Conclusion

Overall the council has a sound system of internal control and effective corporate governance arrangements appropriate for a relatively small council. Over the coming year steps will be taken to address the matters commented on above to further enhance our governance arrangements. I am satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

ROBERT JENNINGS

CHIEF EXECUTIVE OFFICER

ENVIRONMENT & SOCIAL IMPACT STATEMENT

The Council will address social and economic issues so that they support each other and work within environmental limits. It is vital that we find innovative ways of working that benefit all three parts of a sustainable community:

- society,
- the economy and
- the environment.

Making more efficient use of scarce financial and natural resources is fundamental to developing sustainable communities. It is also fundamental to addressing the economic and financial uncertainties currently faced by public services, businesses and communities in the district.

An integrated approach to sustainable development is vital in order to find innovative ways of working which benefit all three components of a sustainable community. The Strategic Community Plan for Nannup 2013 – 2023 will be delivered at the most appropriate level of community planning. Open and effective communications are essential to ensure this happens so that community groups are clear how they can be involved.

Our action plan:

- Brings together the changes described in the Strategic Community Plan with the people, communities, partners and organisations who want to make them happen
- Builds on and links with the existing work being done
- Spells out the priorities and timelines to achieve change
- Will be reviewed regularly and the results published.
- Will be heavily influenced by the economic climate and the resources available.
- Focuses on the challenges affecting the long term future of our district
- Describes our priorities and how we can achieve them.

EQUALITY & DIVERSITY STATEMENT

Our Population

The Shire of Nannup has a population of 1,262 people with a projected growth per annum of between 0.4% - 1.4% and a median age of 49 years. This compares to a median age of 36 years in the state. Unemployment was at 4.7% in 2011, which is exactly the same as the state average.

The biggest industries in the Shire of Nannup are agriculture (13.6%), forestry (7.3%), education (6.1%) and accommodation (4.1%). The largest individual employers are the Nannup Timber Processing mill, the Shire of Nannup and the Nannup District High School. Volunteer levels are very high in Nannup, with around 32% of the population donating their services in some capacity.

Within the Nannup community shows a marked difference to the WA State average in the comparison of part-time to full-time employment for people above 15 years of age. This is depicted in the table below.

Tenure of Employment – Council, Nannup and State, 2011

Employment Type	Nannup	WA
Full-time	48%	61%
Part-time	36%	28%

Equality and Diversity Statement

The Shire of Nannup is committed to equality of opportunity, elimination of discrimination, and promotion of good relations between all people.

- We are proud of, and celebrate, our Shire's diversity.
- We recognise that people have differing needs.
- When allocating resources we will be clear on how we have prioritised individual and community needs.
- We will treat people with respect.
- We will provide accessible information on our services, community activities and events we support.
- We will aim to deliver services that are accessible and culturally appropriate to those using them.
- When making important decisions about local public services we will engage with local residents and communities.
- We will work with our employees to ensure that equality is embedded in the workplace.

Equality

Equality is about all people having equal rights, regardless of who they are. These rights are in addition to basic human rights. People have the right not be discriminated against because of who they are or what makes them different from other people. These factors are called protected characteristics, they are:

- age,
- disability,
- gender reassignment/gender identity,
- pregnancy and maternity,
- race,
- religion or belief,
- sex/gender,
- sexual orientation
- and for specific situations, marriage and civil partnership.

The council aims to reduce inequality strategically, by addressing causes of inequality that are within its scope of intervention, and operationally, by achieving equality outcomes for the users of the services it provides.

Diversity

Diversity refers to the increasingly diverse range of different social and demographic backgrounds of people who live and work in the district.

Nannup has a low percentage of indigenous people being employed (1.2%), in comparison to the WA average of 3.1%. The principal ethnic origin of the Nannup community is Australian/British.

Nannup shows a marked difference in the breakdown of employment types when compared to the state average:

Employment by Occupation, 2013

Occupation	Nannup (%)	WA (%)
Managers	23	12
Labourers	18	10
Professionals	13	20
Technicians and Trade Workers	12	17
Clerical and Admin Workers	9	14
Community and Professional Services Workers	8	9
Machinery Operators and Drivers	8	8
Sales Workers	6	9

Beyond work requirements, lifestyle choices are a driver for many people choosing to live in Nannup. Whilst there is no available specific statistics on gender ratio for employed people in Nannup, the overall percentage of females in Nannup is 46.5%, with males making up the balance of 53.5%.

The Council aims to achieve an inclusive approach which promotes shared values and outcomes across the district as a whole. This inclusive approach is based on:

- A sense of shared identity: a feeling of belonging to the district; sharing the importance of one's cultural heritage and the public celebration of the diversity of the district through events such as festivals.
- Shared outcomes: people in need taking up public services and maximising the opportunities they provide; recognising that some people in the district may have more pressing needs and require additional attention.
- Support for integration and cohesion: getting on well together with people from different backgrounds in different settings (the townsite, local neighbourhoods, businesses, workplaces, schools, places of worship - wherever people come together).

The council will work with communities to find a way to support them and their members within its available resources. We are committed to working with our communities to ensure that the district's diversity continues to shape its identity locally, nationally and internationally.

FINANCIAL REPORT

INTRODUCTION

This document sets out the Shire of Nannup's accounts for the year 2013/14. Although the financial position is regularly monitored and reviewed throughout the year the Financial Report brings together the financial results of all the Council's operations for the whole of the financial year 2013/14. The financial records of the Shire of Nannup are prepared and kept in accordance with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

FINANCIAL STATEMENTS

The accounts have been divided into five sections as detailed below:

The Statement of Comprehensive Income and Expenditure

The Statement of Comprehensive Income and Expenditure shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Governments raise taxation to cover expenditure in accordance with regulations; this may be different to the accounting cost. The taxation position is shown in the Rate Setting Statement.

The Statement of Financial Position

The Statement of Financial Position shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held.

Reserves are reported in three categories. The first category of reserves is the Council's equity. The majority of these reserves cannot be used to provide services and only a small element represents the accumulated surplus or deficit carried forward as a charge on future rate revenues.

The second category of reserves, cash backed reserves, are those that the council has set aside to fund specific future liabilities.

The third category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Rate Setting Statement

The Rate Setting Statement measures the *budget deficiency* (the amount of money required to be raised by rates to cover net expenditure). The Statement shows the spending for the year and the surplus or deficit carried forward at the end of the year. A deficit on the Rate Setting Statement indicates that the rates raised were insufficient to meet the expenditure for the year. Conversely, a surplus indicates that either expenditure planned for the year has been delayed past the year end or that expenditure was not as high as planned, resulting in savings on the year. A surplus or deficit may have implications on the level of rates to be set in future years.

The Notes to the Core Financial Statements.

The Statement of Accounting Policies explains the basis of the figures used in these accounts; the notes that follow provide further details and explanations of the figures making up the core financial statements.

THE LONG TERM FINANCIAL PLAN

The Shire of Nannup has a history of prudent financial management and of taking difficult decisions when the need arises; it therefore benefits from a sound financial base. However, this stability is being threatened by a projected reduction in capital grants that are supporting ongoing revenue expenditure.

Capital resources are also limited by the level of available capital grants and the capital program is structured to deliver projects within the resources available without resorting to borrowing. This too will come under pressure as resources decline and a decision will have to be taken on whether borrowing is necessary to meet the Council's priorities.

Budgeted spending in 2013/14 was a little over \$7.3 million, with almost \$5.6 million being devoted to capital projects. The majority of the council's income, approximately \$3.9 million, is in the form of capital grants. Revenue grants account for another \$0.9 million and rate income \$1.3 million. Fees and charges for services were \$380,550.

The heavy reliance on capital grants means that as these grants decline increasing pressure will be put on other income streams, primarily rate income, to fund the shortfall. This situation arises because the capital grants are making a contribution to the council's fixed overheads and other operational costs that will remain once the grant income has gone. The council's net operational expenditure in 2014/15 is almost \$1.7 million, with funding from rates accounting for \$1.36 million of this. The remaining expenditure is supported by capital grants and there is therefore a capital grant "subsidy" supporting ongoing operational expenditure of around \$400,000 in 2014/15.

The rate requirement for 2013/14 was £1,298,032 and this has been modelled forward over the 10 year planning horizon so that the rate yield funds the expenditure remaining after all other income sources have been applied.

The main change over the period is the loss of capital grant funding for the Mowen Road construction project in 2015/16. The operational expenditure currently being supported by these grants will need to be met from rate income unless compensating income streams can be identified or savings in operational expenditure achieved. This represents a significant challenge for the council over the next two years.

Measures were taken in the 2013/14 budget to set aside funds to meet the shortfall in capital grants in 2015/16. After the financial position stabilises by 2016/17 the pressure on income streams is expected to reduce and rate increases of around the level of CPI are anticipated.

2013/14 REVENUE BUDGET

The Local Government Financial Management Regulations require that the principles of a balanced budget system be used and the Shire of Nannup sets its income and expenditure requirements in an endeavour to obtain a balanced budget. After consideration of the financial requirements for the year, the Council set its rates to cover Council net expenditure of \$1,298,032.

Revenue for the Shire of Nannup came from the following sources:

	2012/13	2013/14
Rates	11%	21%
General Purpose Grants	15%	17%
Specific Purpose Grants	65%	49%
Fees and Charges	4%	7%
Interest	2%	2%
Other	3%	4%
	<hr/> 100%	<hr/> 100%

Net expenditure on the Municipal Fund showed a deficit of \$69,809 on the original budget, resulting in a deficit carried forward of \$35,899; this will be addressed by a contribution from the Rate Equalisation Reserve if there are insufficient savings generated during 2014/15 to eradicate the deficit.

CAPITAL EXPENDIURE

The Council spent \$6,912,497 on capital projects in 2013/14. The schemes upon which expenditure was incurred were:

	\$
Administrative Buildings	18,832
Furniture & Equipment	14,995
Carlotta Fire Shed	19,724
Recreation Centre	574,152
Mowen Road	2,727,439
Other Roads	522,132
Bridges	392,000
Footpaths	65,620
Vehicles	441,449
Other Plant	132,565
Caravan Park Upgrade	53,328
Nannup Main Street	5,568
Other Infrastructure	1,818
Total	<hr/> 4,969,613 <hr/>

RESERVES

The reserves shown on the Statement of Financial Position give an indication of the Council's financial strength. It should be noted that the Revaluation Reserve cannot be used to finance expenditure. The cash backed reserves contain funds which can be used to support capital projects and to fund non-recurring revenue expenditure.

CHANGES TO ACCOUNTING POLICIES

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

The main change in 2013/14 has been the requirement to revalue assets to their Fair Value (the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date). The council chose to use the flexibility given in the legislation to revalue all of its assets in 2012/13 and to carry out periodic reviews of asset classes in subsequent years to revalue all assets over three years as required by the legislation. A major revaluation of bridges was carried out in 2013/14 resulting in significant changes to asset valuations.

VIC SMITH
MANAGER CORPORATE SERVICES



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

SHIRE OF NANNUP ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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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 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Nannup at 30 June 2014 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 as authorisation of issue on the 19 day of December 2014.



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, Adam Street, Nannup WA 6275.

SHIRE OF NANNUP
STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Rates	22	1,293,228	1,298,032	1,235,253
Operating Grants, Subsidies and Contributions	28	1,082,417	1,564,794	1,548,655
Fees & Charges	27	456,112	389,555	397,088
Service Charges	24	0	0	0
Interest Earnings	2(a)	140,850	140,380	166,065
Other Revenue		277,160	193,000	297,253
Total Revenue		3,249,767	3,585,761	3,644,314
Expenses				
Employee Costs		(1,509,940)	(1,573,750)	(1,377,102)
Materials and Contracts		(1,097,888)	(2,737,585)	(1,143,802)
Utility Charges		(127,847)	(98,607)	(105,471)
Depreciation on Non-Current Assets	2(a)	(2,021,002)	(1,929,378)	(1,808,370)
Interest Expenses	2(a)	(17,048)	(17,163)	(19,693)
Insurance Expenses		(175,636)	(172,092)	(190,530)
Other Expenditure		(16)	(300)	(2,882)
Total Expenses		(4,949,377)	(6,528,875)	(4,647,850)
		(1,699,610)	(2,943,114)	(1,003,536)
Non-Operating Grants, Subsidies and Contributions	28	3,071,652	3,791,509	6,947,762
Fair value adjustments to financial assets at fair value through profit or loss		0	0	0
Profit on Asset Disposals	20	232	3,700	2,190
Loss on Asset Disposals	20	(121,610)	(45,900)	(115,290)
NET RESULT		1,250,664	806,195	5,831,126
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	20,402,220	0	(9,590,069)
Total Other Comprehensive Income		20,402,220	0	(9,590,069)
TOTAL COMPREHENSIVE INCOME		21,652,884	806,195	(3,758,943)

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

SHIRE OF NANNUP
STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		250	1,000	4
General Purpose Funding		2,128,591	2,756,590	2,672,760
Law, Order, Public Safety		299,895	207,100	206,118
Health		2,818	3,600	2,804
Education & Welfare		93,345	12,360	84,382
Housing		19,396	16,796	18,008
Community Amenities		121,833	109,435	112,021
Recreation & Culture		26,270	25,570	27,497
Transport		307,401	264,816	325,905
Economic Services		150,641	161,600	122,798
Other Property & Services		99,327	26,894	72,020
Total Revenue		3,249,767	3,585,761	3,644,317
Expenses Excluding Finance Costs				
Governance		(294,996)	(303,291)	(302,525)
General Purpose Funding		(136,378)	(1,799,524)	(155,368)
Law, Order, Public Safety		(460,346)	(397,953)	(377,739)
Health		(55,439)	(52,080)	(55,815)
Education & Welfare		(254,820)	(203,667)	(171,701)
Housing		(38,543)	(36,473)	(55,030)
Community Amenities		(420,940)	(430,814)	(403,252)
Recreation & Culture		(514,986)	(451,565)	(564,587)
Transport		(2,371,204)	(2,464,941)	(2,213,184)
Economic Services		(343,164)	(349,299)	(284,134)
Other Property & Services		(41,513)	(22,105)	(44,825)
Total Expenses		(4,932,329)	(6,511,712)	(4,628,160)
Finance Costs				
Governance		0	0	0
Housing		0	0	0
Community Amenities	21(a)	(7,503)	(7,195)	(7,535)
Transport	21(a)	(9,545)	(9,968)	(12,158)
		(17,048)	(17,163)	(19,693)
Non-Operating Grants, Subsidies & Contributions				
General Purpose Funding		0	665,428	455,678
Law, Order & Public Safety		79,724	0	86,987
Recreation & Culture		9,725	0	0
Transport		2,982,203	3,126,081	6,400,777
Economic Services		0	0	4,320
		3,071,652	3,791,509	6,947,762

Profit/(Loss) on Disposal of Assets

Governance	(17,281)	0	(5,356)
Law & Order	0	0	(51,636)
Transport	(104,097)	(42,200)	(56,108)
	(121,378)	(42,200)	(113,100)

NET RESULT

1,250,664	806,195	5,831,126
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Other Comprehensive Income

Changes on Revaluation of Non-Current Assets	12	20,402,220	0	(9,590,069)
Total Other Comprehensive Income		20,402,220	0	(9,590,069)

TOTAL COMPREHENSIVE INCOME

21,652,884	806,195	(3,758,943)
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This statement should be read in conjunction with the accompanying notes.

**SHIRE OF NANNUP
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2014 Actual \$	2013 Actual \$
Current Assets			
Cash & Cash Equivalents	3	2,963,846	4,563,914
Trade & Other Receivables	4	663,318	493,244
Inventories	5	11,074	0
Total Current Assets		3,638,238	5,057,158
Non-Current Assets			
Other Receivables	4	149,558	153,101
Inventories	5	0	0
Property, Plant & Equipment	6	11,833,536	11,538,976
Infrastructure	7	97,357,066	74,733,073
Total Non-Current Assets		109,340,160	86,425,150
TOTAL ASSETS		112,978,398	91,482,308
Current Liabilities			
Trade & Other Payables	8	210,951	319,661
Current Portion of Long Term Borrowings	9	72,723	68,743
Provisions	10	347,389	326,636
Total Current Liabilities		631,063	715,040
Non-Current Liabilities			
Long Term Borrowings	9	159,368	232,091
Provisions	10	25,165	25,259
Total Non-Current Liabilities		184,533	257,350
TOTAL LIABILITIES		815,596	972,390
NET ASSETS		112,162,802	90,509,918
EQUITY			
Retained Surplus		29,065,175	27,970,840
Reserves – Cash backed	11	2,086,771	1,930,442
Revaluation Surplus	12	81,010,856	60,608,636
TOTAL EQUITY		112,162,802	90,509,918

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

**SHIRE OF NANNUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Retained Surplus	Reserves/ Cash Investment Backed	Asset Revaluation Reserve	Total Equity
	\$	\$	\$	\$
Balance as at 1 July 2012	22,290,719	1,779,437	70,198,705	94,268,861
Comprehensive Income				
Net Result	5,831,126	0	0	5,831,126
Changes on Revaluation of Non-Current Assets	0	0	(9,590,069)	(9,590,069)
Total Comprehensive Income	5,831,126	0	(9,590,069)	(3,758,943)
Reserve Transfers	(151,005)	151,005	0	0
Balance as at 30 June 2013	27,970,840	1,930,442	60,608,636	90,509,918
Comprehensive Income				
Net Result	1,250,664	0	0	1,250,664
Changes on Revaluation of Non-Current Assets	0	0	20,402,220	20,402,220
Total Comprehensive Income	1,250,664	0	20,402,220	21,652,884
Reserve Transfers	(156,329)	156,329	0	0
Balance as at 30 June 2014	29,065,175	2,086,771	81,010,856	112,162,802

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

**SHIRE OF NANNUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		1,243,079	1,298,032	1,199,177
Operating Grants, Subsidies and Contributions		1,082,417	1,564,794	1,501,155
Fees & Charges		480,526	389,555	312,201
Service Charges		0	0	0
Interest Earnings		131,983	147,541	171,810
Other Revenue		280,252	193,000	268,097
Total Receipts		3,218,257	3,592,922	3,452,440
Payments				
Employee Costs		(1,578,761)	(1,370,589)	(1,253,383)
Materials and Contracts		(1,263,810)	(2,737,585)	(1,472,728)
Utility Charges		(127,847)	(98,607)	(105,471)
Insurance Expenses		(175,636)	(172,092)	(190,530)
Interest Expenses		(16,453)	(16,507)	(19,898)
Other Expenditure		(16)	(300)	(2,882)
Total Payments		(3,162,523)	(4,395,680)	(3,044,892)
Net Cash Provided by/(Used in) Operating Activities	13(b)	55,734	(802,758)	407,548
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(1,256,844)	(591,950)	(800,095)
Payments for Construction of Infrastructure		(3,712,759)	(4,438,943)	(6,112,392)
Non-Operating Grants, Subsidies & Contributions used for the Development of Assets		3,071,652	0	7,180,047
Proceeds from the Sale of Plant & Equipment		310,892	3,791,509	177,264
Proceeds from Advances		0	177,000	0
Cash Provided by/(Used in) Investing Activities		(1,587,059)	(1,062,384)	444,824
Cash Flows from Financing Activities				
Repayment of Debentures		(68,743)	(68,743)	(64,968)
Advances to Community Groups		0	12,915	0
Proceeds from Self- Supporting Loans		0	0	0
Proceeds from New Debentures		0	0	0
Net Cash Provided by/(Used in) Financing Activities		(68,743)	(55,828)	(64,968)
Net Increase/(Decrease) in Cash Held		(1,600,068)	(1,920,970)	787,404
Cash at Beginning of Year		4,563,914	4,568,152	3,776,510
Cash & Cash Equivalents at End of Year	13(a)	2,963,846	2,647,182	4,563,914

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

**SHIRE OF NANNUP
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		250	1,000	4
General Purpose Funding		835,363	2,123,986	1,893,185
Law, Order, Public Safety		379,619	207,100	293,105
Health		2,818	3,600	2,804
Education & Welfare		93,345	12,360	84,382
Housing		19,396	19,396	18,008
Community Amenities		121,833	109,435	112,021
Recreation & Culture		35,995	25,570	27,497
Transport		3,289,604	3,390,897	6,726,682
Economic Services		150,641	159,000	127,118
Other Property & Services		99,327	26,894	72,020
Total Revenue		5,028,191	6,079,238	9,356,826
Expenses				
Governance		(319,780)	(303,291)	(307,881)
General Purpose Funding		(136,378)	(1,799,524)	(155,368)
Law, Order, Public Safety		(460,346)	(397,953)	(429,375)
Health		(55,439)	(52,080)	(55,815)
Education & Welfare		(254,820)	(203,667)	(171,701)
Housing		(38,543)	(36,473)	(55,030)
Community Amenities		(420,940)	(438,009)	(410,787)
Recreation & Culture		(514,986)	(451,565)	(564,587)
Transport		(2,484,846)	(2,517,109)	(2,281,450)
Economic Services		(343,164)	(349,299)	(284,134)
Other Property & Services		(41,513)	(22,105)	(44,825)
Total Expenses		(5,070,755)	(6,571,075)	(4,760,953)
Net Operating Result Excluding Rates		(42,564)	(491,837)	4,595,873

Net Operating Result Excluding Rates		(42,564)	(491,837)	4,595,873
Adjustments for Cash Budget Requirements				
Non-Cash Expenditure & Revenue				
(Profit)/Loss on Asset Disposals	20	121,378	42,200	113,100
(Increase)/Decrease in Deferred Pensioner Rates (Non-Current)	4	(10,170)	8,286	(9,145)
Increase/(Decrease) in Leave Provisions	10	(94)	195,531	3,137
Depreciation and Amortisation on Assets	2(a)	2,021,002	1,929,378	1,808,370
Capital Expenditure & Revenue				
Purchase Land Held for Resale		0	0	0
Purchase Land & Buildings	6	(667,846)	(79,900)	(282,076)
Purchase Infrastructure Assets	7	(3,712,759)	(4,438,943)	(6,112,392)
Purchase Plant & Equipment	6	(574,013)	(433,000)	(496,819)
Purchase Furniture & Equipment	6	(14,995)	(37,050)	(21,210)
Proceeds from Disposal of Assets	20	310,901	135,000	177,273
Repayment of Debentures	21	(68,743)	(68,743)	(64,968)
Proceeds from New Debentures	21	0	0	0
Advances to Community Groups	4	0	0	0
Self-Supporting Loan Principal Income		12,915	20,076	12,163
Transfers to Reserves (Restricted Assets)	11	(786,792)	(676,880)	(528,838)
Transfers from Reserves (Restricted Assets)	11	630,463	289,600	377,833
ADD: Estimated Surplus/(Deficit) July 1 B/fwd	22(b)	2,467,507	2,308,250	1,659,953
LESS: Estimated Surplus/(Deficit) June 30 C/fwd	22(b)	979,418	0	2,467,507
Amount to be Required to be Raised from Rates	22	(1,293,228)	(1,298,032)	(1,235,253)

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

SHIRE OF NANNUP
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

a. Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, 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 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 affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

The Local Government Reporting Entity

All Funds through which the 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. A separate statement of those monies appears at Note 19 to these financial statements.

Shire of Nannup Financial Report for the year ended 30 June 2014**Notes to and forming part of the financial report cont.****b. Goods and Services Tax (GST)**

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

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

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

c. Cash and Cash Equivalents

Cash and cash equivalents include cash-on-hand, cash at bank, deposits available on demand 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 in the statement of financial position.

d. Trade and Other Receivables

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

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

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

e. InventoriesGeneral

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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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.

Gains and losses are recognised in the statement of comprehensive income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

f. Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
- (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government –
 - (i) that are plant and equipment; and
 - (ii) that are –
 - (I) land and buildings; or
 - (II) infrastructure;
 and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013 Council adopted Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

Land Under Control

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

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

Initial Recognition and Measurement Between Mandatory Revaluation Dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Transitional Arrangements

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the **Initial Recognition** section as detailed above.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

Those assets carried at fair value will be carried in accordance with the **Revaluation** Methodology section as detailed above.

Early Adoption of AASB 13 – Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, *AASB 13 – Fair Value Measurement* does not become applicable until the year ended 30 June 2015 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in AASB 13 – Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

Land under Roads

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

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

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

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

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset 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
Bridges	50 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 in the period in which they arise.

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Assets may be capitalised where they can be easily grouped and where the total value of the assets so grouped exceeds the \$3,000 threshold.

g. Fair Value of Assets and Liabilities

When performing a revaluation, the Council uses a mix of both independent and management valuations as set out below.

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Shire of Nannup Financial Report for the year ended 30 June 2014**Notes to and forming part of the financial report cont.*****Level 3***

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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 (i.e. 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 cost.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction in impairment; and
- (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.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that 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 or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

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. Gains or losses are recognised in profit or loss.

Shire of Nannup Financial Report for the year ended 30 June 2014**Notes to and forming part of the financial report cont.**

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

(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 has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(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.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

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

j. Trade and Other Payables

Trade payables 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, are recognised as a current liability and are normally paid within 30 days of recognition.

k. Employee Benefits

Short term Employee Benefits

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

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

Other Long Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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

l. Borrowing Costs

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

m. Provisions

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

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

n. 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.

o. Investments in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies.

The Shire of Nannup has no investment in associates.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

p. Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

The Shire of Nannup 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.

All funds to which the Council contributes are defined contribution plans.

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 the Council's intentions to release for sale.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

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

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

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

	Title and Topic	Issued/ Compiled	Applicable¹	Impact
(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	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 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2013	1 January 2017	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).
(iii)	AASB 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 131, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

(iv)	AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	<p>This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>This Standard is not expected to significantly impact the Council's financial statements.</p>
(v)	AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets	June 2013	1 January 2014	<p>This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.</p>

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

(vi)	AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for- Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 July 2014	<p>This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.</p> <p>It is not expected to have a significant impact on Council.</p>
(vii)	AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	December 2013	<p>Part A Conceptual framework – 20 December 2013;</p> <p>Part B Materiality – 1 January 2014;</p> <p>Part C Financial Instruments – 1 January 2015</p>	<p>Part A of this standard makes various editorial corrections to Australian Accounting Standards.</p> <p>Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.</p> <p>Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.</p> <p>As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.</p>

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

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

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 10	AASB 128	AASB 2012 – 2
AASB 11	AASB 2011 - 7	AASB 2012 – 3
AASB 12	AASB 2011 - 9	AASB 2012 – 5
AASB 119	AASB 2011 – 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, 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.

The Council also chose to early adopt AASB 13 – Fair Value Measurement as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

2. REVENUE AND EXPENSES

(a) Net Result

The Net Result includes:

	2014	2013
	\$	\$
(i) Charging as an Expense:		
Amortisation		
Capitalised Leased Assets	0	0
Auditors Remuneration		
- Audit	8,900	8,900
- Other Services	3,170	3,580
	12,070	12,480
Depreciation		
Buildings	207,801	192,936
Furniture and Equipment	8,291	8,987
Plant and Equipment	392,396	275,379
	608,488	477,302
<u>Infrastructure Assets</u>		
Roads	1,322,033	1,241,399
Bridges	0	0
Footpaths	12,180	11,368
Drainage	50,187	50,187
Parks & Ovals	28,114	28,114
	1,412,514	1,331,068
	2,021,002	1,808,370

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

	2014	2013
	\$	\$
Interest Expenses (Finance Costs)		
Finance Lease Charges	0	0
Debentures (refer Note 21(a))	17,048	19,693
	17,048	19,693
Rental Charges		
Operating Leases	0	0

	2014	2014	2013
	Actual	Budget	Actual
	\$	\$	\$
(ii) Crediting as Revenue:	0	0	0
Interest Earnings			
Investments			
- Reserve Funds	50,324	21,880	33,838
- Other Funds (DOTARS, RTR & General)	62,617	105,000	103,463
Other Interest Revenue	27,909	16,500	28,764
	140,850	143,380	166,065

(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:

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance ⁽¹⁾ 01-Jul-12 \$	Received ⁽²⁾ 2012/13 \$	Expended ⁽³⁾ 2012/13 \$	Closing Balance ⁽¹⁾ 30-Jun-13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance 30-Jun-14 \$
R4R Individual 2010/11	General Purpose Funding	59,948		(59,948)	0			0
R4R Regional 2010/11	General Purpose Funding	0	205,490	0	205,490	0	(205,490)	0
R4R Individual 2011/12	General Purpose Funding	328,484		(17,107)	311,377	0	(29,184)	282,193
R4R Regional 2011/12	General Purpose Funding	0	250,188	(33,528)	216,660	0	0	216,660
Carlotta Fire Shed	Law, Order, Public Safety	0	0	(65,005)	(65,005)	79,724	(14,719)	0
WAEMI Business Case	Law, Order, Public Safety	0	25,000	(22,009)	2,991		(2,991)	0
SES Building	Law, Order, Public Safety	0	62,821	(62,821)	0			0
Bushfire Risk Coordinator	Law, Order, Public Safety				0	70,000	(27,993)	42,007
Cat Registration Grant	Law, Order, Public Safety				0	7,000		7,000
National Youth Week	Education and Welfare	0	1,000	(1,000)	0	1,000	(1,000)	0
Aged Housing Plan	Education and Welfare	809	999	(1,808)	0			0
Count Me In	Education and Welfare	47,500		(7,440)	40,060		(26,148)	13,912
Nannup Connect	Education and Welfare	(4,740)	4,740		0			0
Ellis Creek Trail	Education and Welfare	(14,970)	14,970		0			0
Kidsport	Education and Welfare	0	30,000	(8,749)	21,251	30,000	(28,459)	22,792
Drift	Education and Welfare	0	2,500	(1,600)	900		(900)	0
Surf Camps	Education and Welfare	0	12,830	(7,381)	5,449		(5,449)	0
Heritage Trail	Education and Welfare	0			0	19,928		19,928
Nannup Community kitchen	Education and Welfare	0			0	1,000	(1,000)	0
Town Hall Centenary	Education and Welfare	0			0	6,364	(6,364)	0
SEMC Aware	Education and Welfare	0			0	4,195	(1,467)	2,728
Community Sheds	Education and Welfare	0			0		(28,183)	(28,183)
Bridle Trail	Education and Welfare	0			0		(6,650)	(6,650)
Community Garden	Education and Welfare	0			0	1,000	(200)	800
VSEG - PA System Grant	Recreation and Culture	221		(221)	0			0
Clarity - Recreation Centre Drainage	Recreation and Culture	20,000		(20,000)	0			0
DOTARS - Mowen Road	Transport	336,114	5,000,000	(4,323,309)	1,012,805	2,200,000	(2,727,439)	485,366
MRD Special Bridgeworks	Transport	62,000		(62,000)	0			0
NPFPG - Feral Pig Control	Economic Services	6,553		(6,553)	0			0
		841,919	5,610,538	(4,700,479)	1,751,978	2,420,211	(3,113,636)	1,058,553

(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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

3. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Unrestricted	(247,978)	780,171
Restricted	2,086,771	1,930,442
Restricted (Other)	1,125,053	1,853,301
Total Cash & Cash Equivalents	2,963,846	4,563,914

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

	Note	2014	2013
		\$	\$
Unspent Grants	2(c)	1,058,553	1,751,978
Restricted Assets		32,705	30,417
DPI Licensing		0	0
Youth Advisory Committee		13,980	13,174
ATO liability		19,815	57,732
Total Other Restricted Funds		1,125,053	1,853,301

Reserves – Cash Backed	2014	2013
	\$	\$
Recreation Centre Reserve	384,346	784,181
LSL Reserve	167,768	139,086
Plant Reserve	606,708	490,470
Office Equipment Reserve	34,923	34,037
Main Street Upgrade Reserve	346,438	281,329
Landfill Site Reserve	30,696	20,167
Gravel Pit Reserve	7	0
Emergency Management Reserve	52,185	50,838
Aged Housing Reserve	20,876	20,334
Asset Management Reserve	292,824	110,000
Rate Equalisation Reserve	150,000	0
Total Restricted Funds	2,086,771	1,930,442

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

4. TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Current		
Rates Outstanding	208,226	168,247
Accrued Income	28,899	10,604
Sundry Debtors	412,480	116,038
GST Receivable	0	185,440
Loans - Clubs/Institutions	13,713	12,915
	663,318	493,244
Non-Current		
Rates Outstanding - Pensioners	52,563	42,393
Loans - Clubs/Institutions	96,995	110,708
	149,558	153,101

5. INVENTORIES

	2014	2013
	\$	\$
Fuel & Materials	11,074	0

6. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Freehold Land – Fair Value	925,000	925,000
Freehold Land – Cost		
Buildings – Fair Value	8,760,806	8,156,281
Buildings – Cost		
Less Accumulated Depreciation	(348,875)	(243,280)
	9,336,931	8,838,001
 Furniture and Equipment – Management Valuation 2014	139,352	131,066
Less Accumulated Depreciation	(102,500)	(100,818)
	36,852	30,248
 Plant and Equipment – Management Valuation 2014	4,047,684	4,090,489
Less Accumulated Depreciation	(1,587,931)	(1,419,762)
	2,459,753	2,670,727
 Plant and Equipment Under Lease	0	0
Less Accumulated Amortisation	0	0
	0	0
	11,833,536	11,538,976

Shire of Nannup Financial Report for the year ended 30 June 2014**Notes to and forming part of the financial report cont.****Land & Buildings**

All of the Shire's Land and Buildings were revalued at 31 December 2011 by independent valuers, Australian Valuation Partners Pty Ltd. All newly completed buildings and a sample of existing buildings were valued by Griffin Valuation Advisory on 15 January 2014.

In relation to land and non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for condition and comparability, at their highest best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, these specialised buildings are deemed to have been valued using Level 3 inputs.

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

The 2014 revaluation resulted in an overall increase of \$62,845 in the net value of the Shire's land and buildings. All of this increase was credited to the Revaluation Reserve in the Shire's equity (Note 12) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

Plant and Equipment

The Shire's plant and equipment was revalued at 30 June 2014 by management. The valuation uses depreciated cost as an approximation of fair value.

The revaluation resulted in an overall increase of \$39,349 in the net value of the Shire's plant and equipment. All of this increase was credited to the Revaluation Reserve in the Shire's equity (Note 12) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

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.

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

	Land & Buildings	Furniture & Equipment	Plant & Equipment	Leased Plant & Equipment	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2013	8,838,001	30,247	2,670,728	0	11,538,976
Additions	667,846	14,995	574,013	0	1,256,854
(Disposals)	(239)	0	(432,040)	0	(432,279)
Revaluation - Increments	200,281	0	41,500	0	241,781
- Decrements	(263,126)	(100)	(2,051)		(265,277)
Impairment - Increments	0	0	0	0	0
- Decrements	0	0	0	0	0
Depreciation (Expense)	(105,832)	(8,291)	(392,396)	0	(506,519)
Carrying amount as at 30 June 2014	9,336,931	36,851	2,459,754	0	11,833,536

7. INFRASTRUCTURE

	2014	2013
	\$	\$
Roads - Management Valuation	110,439,831	107,184,692
Less Accumulated Depreciation	(37,187,319)	(35,865,286)
	73,252,512	71,319,406
 Bridges - Independent Valuation	20,166,438	0
Less Accumulated Depreciation	0	0
	20,166,438	0
 Footpaths - Management Valuation	1,420,145	608,978
Less Accumulated Depreciation	(384,154)	(116,746)
	1,035,991	492,232
 Drainage - Management Valuation	2,509,343	2,509,343
Less Accumulated Depreciation	(465,301)	(415,114)
	2,044,042	2,094,229
 Parks & Ovals - Management Valuation	1,441,699	1,405,720
Less Accumulated Depreciation	(583,616)	(578,514)
	858,083	827,206
	97,357,066	74,733,073

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

The Shire's road infrastructure was revalued at 1 July 2012 by management. The valuation is derived from data within the council's roads maintenance system (ROMANS) as an approximation of fair value.

Bridges and footpaths were revalued on 26 March 2014 and 30 June 2014 respectively. Bridges were valued by an independent valuer, Howson Management, and data for footpaths was derived from data within ROMANS as an approximation of fair value.

Infrastructure assets were valued having regard for their current replacement cost utilising both observable and unobservable inputs, being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).

The revaluation resulted in an overall increase of \$20,555,964 in the net value of the Shire's infrastructure. All of this increase was credited to the Revaluation Reserve in the Shire's equity (Note 12).

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	Bridges	Footpaths	Drainage	Parks & Ovals	Total
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2013	71,319,406	0	492,232	2,094,229	827,206	74,733,073
Additions	3,255,139	392,000	65,620	0	0	3,712,759
(Disposals)	0	0	0	0	0	0
Revaluation	0	19,774,438	745,547	0	57,000	20,576,985
- Increments	0	0	0	0	(21,021)	(21,021)
- (Decrements)	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
- (Losses)	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0
Depreciation (Expense)	(1,322,033)	0	(267,408)	(50,187)	(5,102)	(1,644,730)
Carrying amount as at 30 June 2014	93,418,950	20,166,438	1,035,991	2,044,042	858,083	97,357,066

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

8. TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Current		
Sundry Creditors	104,529	96,658
Restricted Assets	32,705	30,417
GST Payable	19,622	10,476
PAYG Tax Payable	0	47,229
Withholding Tax	192	27
YAC Funds	13,980	13,174
Youth Co-ord Network	0	0
Accrued Expenses	27,123	107,527
DPI - Licensing	0	0
Accrued Interest on Debentures	1,493	898
Accrued Salaries and Wages	11,307	13,255
	210,951	319,661

9. LONG-TERM BORROWINGS

	2014	2013
	\$	\$
Current		
Secured by Floating Charge		
Debentures	72,723	68,743
Lease Liability	0	0
	72,723	68,743
	2014	2013
	\$	\$
Non-Current		
Secured by Floating Charge		
Debentures	159,368	232,091
Lease Liability	0	0
	159,368	232,091

Additional detail on borrowings is provided in Note 21.

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

10. PROVISIONS

	2014	2013
	\$	\$
Current		
Provision for Annual Leave	192,522	222,363
Provision for Long Service Leave	154,867	104,273
	347,389	326,636
Non-Current		
Provision for Long Service Leave	25,165	25,259
	25,165	25,259

11. RESERVES - CASH BACKED

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:

	2014	2014	2013
	Actual	Budget	Actual
	\$	\$	\$
Civic Building Reserve - Recreation Centre			
Opening Balance	784,181	754,730	791,870
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	20,299	10,000	16,461
Amount Used / Transfer from Reserve	(420,134)	0	(24,150)
	384,346	764,730	784,181
Long Service Leave Reserve			
Opening Balance	139,086	138,624	125,825
Amount Set Aside / Transfer to Reserve	25,000	25,000	10,000
Interest Earned	3,682	2,400	3,261
Amount Used / Transfer from Reserve	0	0	0
	167,768	166,024	139,086
Plant Reserve			
Opening Balance	490,470	567,775	414,685
Amount Set Aside / Transfer to Reserve	275,000	275,000	340,000
Interest Earned	12,700	1,300	2,195
Amount Used / Transfer from Reserve	(171,462)	(280,000)	(266,410)
	606,708	564,075	490,470
Civic Building Reserve - Kindergarten Extension			
Opening Balance	0	0	19,344
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	0	0	3,422
Amount Used / Transfer from Reserve	0	0	(22,766)
	0	0	0

Office Equipment Reserve

Opening Balance	34,037	16,538	8,887
Amount Set Aside / Transfer to Reserve	15,000	15,000	25,000
Interest Earned	881	100	150
Amount Used / Transfer from Reserve	(14,995)	(9,600)	0
	34,923	22,038	34,037

Main Street Upgrade Reserve

Opening Balance	281,329	256,196	330,826
Amount Set Aside / Transfer to Reserve	81,468	0	0
Interest Earned	7,513	4,500	6,875
Amount Used / Transfer from Reserve	(23,872)	0	(56,372)
	346,438	260,696	281,329

Land Fill Site Reserve

Opening Balance	20,167	20,100	10,000
Amount Set Aside / Transfer to Reserve	10,000	10,000	10,000
Interest Earned	529	200	167
Amount Used / Transfer from Reserve	0	0	0
	30,696	30,300	20,167

Gravel Pit Reserve

Opening Balance	0	100	8,000
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	7	180	135
Amount Used / Transfer from Reserve	0	0	(8,135)
	7	280	0

Emergency Management Reserve

Opening Balance	50,838	50,500	50,000
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	1,347	500	838
Amount Used / Transfer from Reserve	0	0	0
	52,185	51,000	50,838

Aged Housing Reserve

Opening Balance	20,334	20,250	20,000
Amount Set Aside / Transfer to Reserve	0	0	0
Interest Earned	542	200	334
Amount Used / Transfer from Reserve	0	0	0
	20,876	20,450	20,334

Asset Management Reserve

Opening Balance	110,000	110,000	0
Amount Set Aside / Transfer to Reserve	180,000	180,000	110,000
Interest Earned	2,824	2,500	0
Amount Used / Transfer from Reserve	0	0	0
	292,824	292,500	110,000

Rates Equalisation Reserve

Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	150,000	150,000	0
Interest Earned	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	150,000	150,000	0

2,086,771	2,322,093	1,930,442
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Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

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

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.

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

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

Landfill Site Reserve: to be used for the rehabilitation of the Nannup Waste Facility at the end of its useful life.

Gravel Pit Reserve: to be used for the rehabilitation of the gravel pit at the end of its useful life.

Emergency Management Reserve: to be used to cover the unfunded costs of emergencies, such as bush fires.

Aged Housing Reserve: to be used to facilitate the development of Aged Housing.

Asset Management Reserve: to be used for major building repairs as set out in the Asset Management Plan.

Rates Equalisation Reserve: to support the 2015/16 budget to minimise the projected rate increase in that year.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

12. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:

	2014	2013
	\$	\$
Land and Buildings		
Opening balance	5,996,790	0
Revaluations	39,124	5,996,790
	6,035,914	5,996,790
Plant and Equipment		
Opening balance	41,613	0
Revaluations	39,349	41,613
	80,962	41,613
Infrastructure		
Opening Balance	54,570,233	70,198,705
Revaluations	20,323,748	(15,628,472)
	74,893,981	54,570,233
Total Asset Revaluation Reserves	81,010,857	60,608,636

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

	2014 Actual \$	2014 Budget \$	2013 Actual \$
Cash and Cash Equivalents	2,963,846	2,647,182	4,563,914

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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

	2014 Actual \$	2014 Budget \$	2013 Actual \$
Net Result	1,250,664	806,195	5,831,126
Amortisation	0	0	0
Depreciation	2,021,002	1,929,378	1,808,370
(Profit)/Loss on Sale of Asset	121,378	42,200	113,100
(Increase)/Decrease in Receivables	(166,531)	0	70,929
(Increase)/Decrease in Inventories	(11,074)	0	0
Increase/(Decrease) in Payables	(108,710)	656	(309,631)
Increase/(Decrease) in Employee Provisions	20,659	203,161	73,703
Grants/Contributions for the Development of Assets	(3,071,654)	(3,791,509)	(7,180,049)
Net Cash from Operating Activities	55,734	(809,919)	407,548

(c) Undrawn Borrowing Facilities

	2014 Actual \$	2014 Budget \$	2013 Actual \$
Credit Standby Arrangements			
Bank Overdraft limit	0	0	0
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	3,000	0	0
Credit Card Balance at Balance Date	0	0	0
Total Amount of Credit Unused	3,000	0	0
Loan Facilities			
Loan Facilities - Current	72,723	72,723	68,743
Loan Facilities - Non-Current	159,368	159,368	232,091
Total Facilities in Use at Balance Date	232,091	232,091	300,834
Unused Loan Facilities at Balance Date	0	0	0

14. CONTINGENT LIABILITIES

The Shire of Nannup has no contingent liabilities as at 30 June 2014.

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

15. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

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

	2014	2013
	\$	\$
Payable:		
- not later than one year	3,688	3,443
- later than one year but not later than five years	0	0
- later than five years	0	0
	<u>3,688</u>	<u>3,443</u>

(b) Capital Expenditure Commitments

The Shire of Nannup entered into a contract for the refurbishment of the Nannup Recreation Centre on 25 June 2014 with an estimated construction cost of \$1,993,651.

16. JOINT VENTURE

The Shire of Nannup has no joint venture arrangement as at 30 June 2014.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2014	2013
	\$	\$
Governance	1,696,655	1,324,983
General Purpose Funding	964,621	2,093,214
Law, Order, Public Safety	1,454,343	1,451,795
Health	25,987	25,987
Education and Welfare	549,788	742,255
Housing	1,069,991	1,084,206
Community Amenities	760,814	747,961
Recreation and Culture	4,202,936	4,031,412
Transport	98,435,268	76,380,855
Economic Services	1,005,207	898,617
Other Property and Services	2,542,781	2,431,016
Unallocated	270,007	270,007
Total Assets	<u>112,978,398</u>	<u>91,482,308</u>

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

18. FINANCIAL RATIOS

	2014	2013	2012
Current Ratio	0.96	2.19	2.04
Operating Surplus Ratio	(0.84)	(0.48)	(0.39)
Own Source Revenue Coverage Ratio	0.43	0.45	0.46
Debt Service Cover Ratio	2.53	9.74	11.27
Asset Sustainability Ratio	1.05	1.28	1.03

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets} - \text{restricted assets}}{\text{current liabilities} - \text{liabilities associated with restricted assets}}$
Operating Surplus Ratio	$\frac{\text{operating revenue} - \text{operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest \& depreciation}}{\text{principal \& interest}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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-13	Amounts Received	Amounts Paid	Balance 30-Jun-14
	\$	\$	\$	\$
Building and Construction Industry Training Fund Levy	17,478	4,501	(8,950)	13,029
Builders Registration Board of WA Levy	9,002	3,779	0	12,781
Bonds	33,552	2,700	(1,978)	34,274
Nomination Deposits	0	560	(480)	80
	60,032	11,540	(11,408)	60,164

20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year:

	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$
Old Road Board Toilets	239	0	0	0	(239)	0
Toyota Camry NP0	25,294	21,000	14,335	21,000	(10,959)	0
Toyota Camry NP000	24,460	21,000	18,182	21,000	(6,278)	0
Toyota Prado NP00	45,065	45,100	40,909	45,000	(4,156)	(100)
Isuzu 14 T Tipper NP3019	53,084	53,100	31,818	40,000	(21,266)	(13,100)
Isuzu Tipper NP3006	49,742	49,740	29,091	30,000	(20,651)	(19,740)
Ford Ranger NP3018	16,289	16,300	14,545	20,000	(1,744)	3,700
Pacific Roller NP3008	12,961	12,960	4,000	0	(8,961)	(12,960)
Toyota Hilux NP3471	44,389	0	40,455	0	(3,934)	0
Nissan Navarra NP3471	41,056	0	25,015	0	(16,041)	0
Ford Ranger NP3460	31,967	0	28,182	0	(3,785)	0
Ford Ranger NP413	14,134	0	12,273	0	(1,861)	0
Ford Ranger 1DTM182	28,328	0	23,636	0	(4,692)	0
Ford Ranger 1DTM116	27,890	0	20,909	0	(6,981)	0
Fuel Trailer	9,000	0	4,200	0	(4,800)	0
Gardening Trailer 1THE070	3,208	0	1,000	0	(2,208)	0
Gardening Trailer 1THH689	1,127	0	1,164	0	37	0
Wacker rammer	577	0	250	0	(327)	0
Cable pipe locator	546	0	91	0	(455)	0
Plate compactor	411	0	201	0	(210)	0
Honda fire pump	1,321	0	150	0	(1,171)	0
300L spray unit	1,191	0	300	0	(891)	0
PC x 3	0	0	195	0	195	0
	432,279	219,200	310,901	177,000	(121,378)	(42,200)

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 01-Jul-13 \$	New Loans \$	Principal Repayments		Principal 30-Jun-14		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Community Amenities L37 S/S Community Resource Centre ¹	123,623	0	12,915	12,915	110,708	110,708	7,503	7,195
Transport L38 Plant	177,211	0	55,828	55,828	121,383	121,383	9,545	9,186
	300,834	0	68,743	68,743	232,091	232,091	17,048	16,381

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

All other loan repayments were financed by general purpose revenue.

72,723 Current

159,368 Non-Current

232,091

(b) New debentures 2013/14

There were no new debentures raised in 2013/14.

(c) Unspent Debentures

There were no unspent debentures in 2013/14.

(d) Overdraft

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

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

22. RATING INFORMATION - 2013/14 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	0.089077	369	4,794,228	427,055	183	0	427,238	430,624	0	0	430,624
UV - General	0.003672	193	121,080,000	444,606	0	0	444,606	406,292	0	0	406,292
Sub Totals		562	125,874,228	833,347	183	0	871,844	836,916	0	0	836,916
Minimum Rates	Minimum \$										
GRV - General	709	348	1,814,891	246,732	0	0	246,732	248,150	0	0	248,150
UV - General	929	188	27,463,148	174,652	0	0	174,652	174,652	0	0	174,652
Sub-Totals		536	29,278,039	421,384	0	0	421,384	422,802	0	0	422,802
Ex-Gratia Rates	<i>Note 25</i>						1,293,228				1,259,718
Discounts							0				38,314
Total Amount Raised from General Rate Specified Area Rates	<i>Note 23</i>						1,293,228				1,298,032
Totals							0				0
							1,293,228				1,298,032

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

(b) Information on Surplus/(Deficit) Brought Forward

	2014 30.6.14 c/f	2014 1.7.13 b/f	2013 30.6.13 c/f
	979,418	2,808,293	2,808,293
Comprises:			
Cash - Unrestricted	877,079	2,633,472	2,633,472
Cash - Restricted	2,086,771	1,930,442	1,930,442
Rates Debtors	208,226	168,247	168,247
Accrued Income	28,899	10,604	10,604
Sundry Debtors	412,480	116,038	116,038
GST Receivable	0	185,440	185,440
Inventories	11,074	0	0
Less:			
Restricted Cash - Reserves	(2,086,771)	(1,930,442)	(1,930,442)
Creditors	(104,529)	(96,658)	(96,658)
Accrued Expenditure	(27,123)	(107,527)	(107,527)
DOT Licensing	0	0	0
Restricted Assets	(32,705)	(30,417)	(30,417)
YAC & YCN	(13,980)	(13,174)	(13,174)
Withholding tax	(192)	(27)	(27)
GST Payable	(19,622)	(10,476)	(10,476)
PAYG Tax Payable	0	(47,229)	(47,229)
Interest on Debentures	(1,493)	(898)	(898)
Accrued Salaries & Wages	(11,307)	(13,255)	(13,255)
Current Employee Benefits	(347,389)	(326,636)	(326,636)
	979,418	2,467,504	2,467,504

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

23. SPECIFIED AREA RATE - 2013/14 FINANCIAL YEAR

The Shire of Nannup did not impose Specified Area Rates applied in 2013/14.

24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR

The Shire of Nannup did not impose any service charges for the year ended 30 June 2014.

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS - 2013/14 FINANCIAL YEAR

	Type	Disc	Total Cost/ Value	Budget Cost/ Value
		%	\$	\$
Council Function Room Hire	Waiver	100%	0	0
Nannup Town Hall Hire	Waiver	100%	0	0
Nannup Town Oval Hire	Waiver	100%	0	0
			0	0
Photocopy Charge	Waiver	100%	0	0
			0	0

26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR

Ratepayers had the option of paying rates in four equal instalments, due on 29 August 2013, 30 October 2013, 31 December 2013 and 3 March 2014. Administration charges and interest applied for the final three instalments.

	Interest Rate	Admin. Charge	Revenue	Budgeted Revenue
	%	\$	\$	\$
Interest on Unpaid Rates	11.00%		16,205	12,500
Interest on Instalments Plan	5.50%		4,542	4,000
			20,747	16,500
Charges on Instalment Plan		5	3,641	3,800
			24,388	20,300

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

27. FEES & CHARGES

	2014	2013
	\$	\$
Governance	250	0
General Purpose Funding	14,105	22,311
Law, Order, Public Safety	17,878	16,338
Health	2,818	2,804
Education and Welfare	8,563	7,843
Housing	19,396	18,008
Community Amenities	114,673	104,108
Recreation and Culture	26,270	27,497
Transport	2,191	3,361
Economic Services	150,641	122,798
Other Property and Services	99,327	72,020
	456,112	397,088

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:

	2014	2013
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,082,417	1,548,655
Non-Operating Grants, Subsidies and Contributions	3,071,652	6,947,762
	4,154,069	8,496,417
By Program:		
Governance	0	0
General Purpose Funding	643,497	1,666,271
Law, Order, Public Safety	361,742	276,767
Health	0	0
Education and Welfare	71,086	68,585
Housing	0	0
Community Amenities	0	0
Recreation and Culture	9,725	0
Transport	3,068,019	6,480,474
Economic Services	0	4,320
Other Property and Services	0	0
	4,154,069	8,496,417

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

29. ELECTED MEMBERS REMUNERATION

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

	2014	2014	2013
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	7,018	9,000	7,700
President's Allowance	8,000	8,000	8,000
Deputy President's Allowance	2,000	2,000	2,000
Travelling Expenses	3,803	7,000	7,250
Telecommunications Allowance	7,100	8,800	6,600
	27,921	34,800	31,550

30. EMPLOYEE NUMBERS

	2014	2013
The number of full-time equivalent employees at 30 June	26.51	25.76

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2013/14 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

33. ECONOMIC DEPENDENCY

A significant proportion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is disclosed in the Statement of Comprehensive Income.

34. 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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	2,963,846	4,563,914	2,963,846	4,563,914
Receivables	812,876	646,345	812,876	646,345
	3,776,722	5,210,259	3,644,793	5,210,259
Financial Liabilities				
Payables	210,951	319,661	210,951	319,661
Borrowings	232,091	300,834	232,091	300,834
	443,042	620,495	443,042	620,495

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.

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

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:

	2014	2013
	\$	\$
- Equity	29,638	45,639
- Statement of Comprehensive Income	29,638	45,639

(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:

	2014	2013
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	22.28%	81.60%
- Overdue	77.72%	18.40%

Shire of Nannup Financial Report for the year ended 30 June 2014
Notes to and forming part of the financial report cont.

(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
	\$	\$	\$	\$	\$
2014					
Payables	210,951	0	0	210,951	210,951
Borrowings	72,723	126,236	33,132	232,091	232,091
	283,674	126,236	33,132	443,042	443,042
2013					
Payables	319,661	0	0	319,661	319,661
Borrowings	68,743	181,531	50,560	300,834	300,834
	388,404	181,531	50,560	620,495	620,495

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.

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

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

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 3 years \$	Between 3 & 4 years \$	Between 4 & 5 years \$	More than 5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2014								
Borrowings								
Fixed Rate								
Debentures	72,723	76,933	15,459	16,415	17,429	33,132	232,091	
Weighted Average Effective Interest Rate	5.86%	5.99%	6.01%	6.01%	6.01%	6.01%		5.98%
Year Ended 30 June 2013								
Borrowings								
Fixed Rate								
Debentures	68,743	72,724	76,933	15,459	16,415	50,560	300,834	
Weighted Average Effective Interest Rate	5.81%	5.85%	5.98%	6.01%	6.01%	6.01%		5.95%

Shire of Nannup Financial Report for the year ended 30 June 2014

Notes to and forming part of the financial report cont.

35. PRIOR PERIOD ERRORS

The Audited Accounts for 2012/13 were reviewed by the Department for Local Government, which noted two anomalies:

- (a) Financial Ratios (Note 18) – ratio calculations had not included values for profit and loss on disposal of assets. This has been deemed not material and no prior year adjustments have been made.
- (b) Surplus/Deficit Calculation (Note 22) – the note included reconciling items that were not applicable. The effect of correcting this error is to decrease the surplus carried forward at 30 June 2013 as shown in the Rate Setting Statement from \$2,808,294 to \$2,467,507.

Surplus/Deficit Calculation (Note 22)

The audited statements for 2012/13 omitted three reconciling items:

- (a) Accruals of Interest Paid.
- (b) Accruals of Salaries & Wages
- (c) The current leave provisions

As this note has to balance to the Surplus/Deficit carried forward at 30 June it meant that the Rate Setting Statement would also need to be amended to ensure that the two statements reconciled.

The transactions currently included in the Non Cash Expenditure and Revenue section in the Rate Setting Statement 2012/13 were removed and the balance carried forward at 30 June amended to bring the total back to the rates collected figure for 2012/13. To balance 2012/13 the same adjustment had to be carried out for 2011/12 to correct the balance brought forward at 1 July 2012. The reconciliation is shown below:

	\$
Original Surplus/deficit c/f 2012/13	2,808,294
Remove movement on interest accruals	205
Remove movement on salaries & wages accruals	(3,023)
Remove movement on current salaries & wages provision	(70,566)
Adjustment 2011/12 bf	
Less: Original balance b/f 2011/12	(1,927,356)
Add: Revised balance b/f 2011/12	1,659,953
Revised Surplus/deficit c/f 2012/13	<u>2,467,507</u>

AASB 101.10(f) requires a “third balance sheet” to be produced where there is a correction to prior year figures. However, this particular error would have no effect on the balance sheet and no third balance sheet has therefore been produced.

Shire of Nannup
Supplementary Ratio Information
for the Year Ended 30 June 2014

Ratio Information

The following information relates to those ratios which only require an attestation that they have been checked and are supported by verifiable information. It does not form part of the audited annual report.

	2014	2013	2012
Asset Consumption Ratio	0.73	0.63	N/A
Asset Renewal Funding Ratio	1.00	1.00	N/A

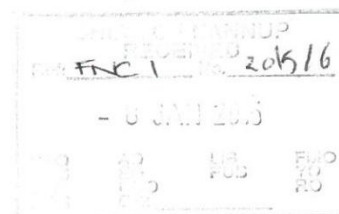
The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

Note: In keeping with amendments to Local Government Financial Regulation 50, comparatives for the 2012 year have not been reported as financial information is not available.

5 January 2015

Cr. T Dean
President
Shire of Nannup
PO Box 11
NANNUP WA 6275



Dear Tony

SHIRE OF NANNUP
30 JUNE 2014 MANAGEMENT REPORT

Following completion of our 30 June 2014 audit, we provide our Management Report and audit recommendations.

1.0 Our Audit Approach

The Australian Auditing Standards are the professional Standards applicable to all audit engagements. Accordingly, our audit was conducted in accordance with Australian Auditing Standards, with testing designed solely to enable the expression of an opinion on the financial report of the Shire of Nannup. This involved us making an assessment of the risk of material misstatement, whether due to fraud or error, and then using our professional judgement, applying audit procedures to mitigate that risk.

To assist Council in understanding our role as external auditor, we have previously detailed our audit responsibilities and scope of work to be performed to meet those responsibilities in our audit engagement letter.

Australian Auditing Standards require us to document and evaluate Shire of Nannup's system of internal control to establish the level of reliance on the internal control system in determining the nature, timing and extent of other auditing procedures necessary to enable us to complete our audit. This work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities and should not, therefore, be taken to assume that no other weaknesses exist. Accordingly the comments within this letter refer only to those matters that have come to our attention during the course of our normal audit work and may not identify all possible improvements that an internal controls review may detect.

Our audit approach is based on a risk analysis methodology which relies upon our understanding of Shire of Nannup's operations, strategies and risks. We performed a review of applicable accounting systems and tested those during our audit. The level of testing performed by us is determined by the degree of reliance we place on the internal control systems in place which has a resulting impact on the amount of substantive testing required during our audit procedures. The level of testing performed is also aligned with what is required to form an overall opinion on the financial statements which may not coincide with what the Shire of Nannup perceives should be tested.

Our audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and judgements, as well as evaluating the overall presentation of the financial report. There were no areas of disagreement either in the accounting estimates or judgements or in the presentation and disclosures made in the financial report.



Chartered
Accountants

Independent Member of

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2.0 Assessment of Fraud and Error

The primary responsibility for the prevention and detection of fraud is that of Council and management. As a result, it is important that management with the oversight of Council place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and resulting consequences.

In accordance with Australian Auditing Standards we are required to obtain reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error. While our procedures are designed to identify material weaknesses and misstatements from fraud and error, there is an unavoidable risk that even some material misstatements may remain undiscovered. This unavoidable risk is due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system.

We have confirmed that nothing has come to management's attention that may constitute an incident of fraud. In addition our audit procedures did not identify any instances of suspected or actual fraud. We take this opportunity to remind you that our audit is not designed to detect fraud and therefore our audit procedures are not designed for that purpose.

3.0 Significant Difficulties Encountered during the Audit

During the course of our audit, there were no areas where we experienced significant difficulties.

4.0 Audit Adjustments and Unadjusted Audit Differences

During the course of our audit, we identified misstatements which related to depreciation in respect to assets recorded at fair value. These misstatements were considered to be material at a financial report level which have been adjusted in consultation with Vic, and therefore reflected within the final audited financial report.

5.0 Accounting Policies

We confirm to you that we are not aware of any changes to the accounting policies of the Shire of Nannup since 30 June 2013 in respect of the preparation of the 30 June 2014 financial report other than those changes required under Australian Accounting Standards and the Local Government Act and Regulations which are adequately disclosed.

6.0 Commitments and Contingencies

On completion of our audit and subsequent discussions with management, we did not identify any additional commitments or contingencies that required disclosure within the financial report of the Shire of Nannup, apart from those already disclosed.

7.0 Subsequent Events

We did not identify any additional subsequent events up until the date of this report that required disclosure within the financial report of the Shire of Nannup, apart from those already disclosed.

8.0 Other Matters

In accordance with the terms of our engagement letter, we have a responsibility to provide an opinion in respect to the Shire of Nannup's annual financial report as to whether it is free from material misstatement. Our audit report for 30 June 2014 is unqualified with our opinion stating the financial report presents fairly the financial position of the Shire of Nannup, as at and for the year ending 30 June 2014.

Our audit indicated procedures and controls in respect to the Shire of Nannup's internal processes, procedures and financial reporting framework are adequately designed and have been maintained to high standards throughout the audit period, subject to the recommendations raised within Appendix 1.

Local Government Act Compliance Measures

In conjunction with our review of the financial statements, we also perform a review of the Shire of Nannup's compliance with the Local Government Act and Financial Management Regulations, and we are pleased to report there were no instances of non compliance throughout the 2013/2014 year.

Our management report is on an exception basis, and therefore we have not commented on the various internal controls in place within your accounting systems.

We would like to take this opportunity to thank Vic, Tracie and the finance team for the assistance provided to us during our audit.

Should you have any questions concerning the above or would like to discuss any other aspect of our audit, please do not hesitate to contact me.

Yours sincerely

AMD Chartered Accountants



TIM PARTRIDGE FCA
Partner

cc

Rob Jennings
Chief Executive Officer