



ANNUAL REPORT

2018/19

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GENERAL INFORMATION

Administration Office

Office hours: Monday to Friday 8:00am to 4:30pm

Office Address:

66 Railway Avenue
NUNGARIN WA 6490

Postal Address:

PO Box 8
NUNGARIN WA 6490

Telephone: (08) 9046 5006

Fax: (08) 9046 5007

Economy

The Nungarin economy is based on broadacre farming producing various crops including wheat, barley, canola and other coarse grains and the breeding of sheep.

Local Events

- Australia Day Celebrations
- Wheatbelt Country Markets
- ANZAC Day
- Seniors Week Luncheon
- Remembrance Day

Local Attractions

- Nungarin Heritage Machinery and Army Museum
- Mangowine Homestead
- Mangowine Concert
- Eaglestone Rock
- Talgomine Rock
- Danberrin Rock
- Lake Brown
- Lake Champion
- Chandler Townsite
- Heritage Walks

COUNCIL

The Shire of Nungarin is an elected body of seven (7) Councillors. The role of Council is to provide oversight and govern the affairs of the Shire including the allocation of resources and determine policy positions.

Council is committed to providing open and accountable government that meets the needs of the community and protects and improves the Shire's assets and resources.

The Chief Executive Officer has the responsibility for ensuring all decisions of Council comply with the Local Government Act, other relevant legislation and local laws. The Chief Executive Officer and staff undertake the tasks necessary to implement the decisions of the Council.

Elections for Councillors are conducted in October every second year with the term of office being four years. Approximately one half of Council's membership vacates each election.

During the period of the 2018/19 year, once vacancy remained unfilled despite multiple attempts calling for nominations.

The next election is to be held in October 2019 being the 2019/20 financial year. The President is elected by the members following each Local Government election, for a two year term.

President

Cr Eileen O'Connell

Deputy President

Cr Gary Coumbe

Elected Members

Cr Bev Palmer

Cr Kerry Dayman

Cr Pippa de Lacy

Cr Jason Davis

SHIRE PRESIDENT'S REPORT

I present my Presidents Report for the 2018-2019 financial year with a great deal of pleasure.

Council, at their 2018 Special August Budget meeting once again adopted a conservative budget. A good audit report was received with improvements shown with the work and guidance of our Chief Executive Officer.

We continued to offer a discount on current rates (5%) paid within 25 days.

It once again was a difficult and challenging budget. The operational and capital sectors of the budget were trimmed to the items whereby Council had a safety, immediate or contractual need to carry out.

The continuing fair value process as part of the integrated planning strategy has continued to prove costly to Council. This has used funding which could have partly been used on community services.

The Budget enabled Council the continuation of our gravel re-sheeting program for secondary roads, and continued infrastructure improvements to both our buildings and roads. The Road program continues to have a good balance between new construction work and maintenance including school bus routes.

Council adopted the revised minimum payments for meeting attendance fees for Elected Members.

Projects and works during the 2018-2019 financial year included:

- Regional Road Program
- Roads to Recovery Program
- Central East Aged Care Alliance Inc (CEACA) Housing Accommodation Project
- Recreation Development Program (established for the purpose of promoting and improving recreation standards in our Community)

COUNCIL

On behalf of the Ratepayers and Electors of the Shire of Nungarin I take this opportunity to thank Councillor's for their time spent during the past twelve months in serving and supporting the community.

I would like to thank all our partners for their support, without which would make it more difficult for Councillors.

COUNCIL STAFF

I would like to thank all staff members of the Shire of Nungarin for the way that they have carried out their duties.

I thank those Council staff who have become involved in any way in our community, for their contribution to our Community, both in their jobs and other interests.

I acknowledge the service given by Mr Adam Majid, as our Chief Executive Officer, to the community since April 2018, and acknowledge the advice and assistance given by Adam as our Chief Executive Officer, to myself, all Councillors and staff, and to the community.

GENERAL

LEADERSHIP AND VISION:

Nungarin, along with ten other Local Governments (Bruce Rock, Kellerberrin, Koorda, Merredin, Mt Marshall, Mukinbudin, Trayning, Westonia, Wyalkatchem and Yilgarn) in our Region continue to be involved in the Central East Aged Care Alliance (CEACA).

This group has evolved to having just Local Government involvement. CEACA was formed to address the immediate and urgent needs for independent aged care and housing in the region, and to set a sustainable long term self-funding framework for the region's future aged housing needs. The venture is progressing with the majority of houses now being built.

DOCUMENTS FOR LOCAL GOVERNMENT:

Council continues to address outstanding Items as our Chief Executive Officer brings them forward to Council meetings.

- Code of Conduct: for Elected Members, Committee Members and Employees
- Shire of Nungarin Official Website: is a work in progress

- Updated NEWROC MOU: from 1st July 2018 to 30th June, 2020.

LOCAL GOVERNMENT ISSUES:

Council has been active in being involved in different issues that affect our Community, having been involved supporting/putting submissions in for relevant reviews.

Australia Day Awards:

Council continues to have the Shire of Nungarin Citizen of the Year Awards with three categories after the changes with the Premier's Australia Day Awards.

FUNCTIONS/WORKSHOPS ATTENDED:

President has attended various presentations/forums over the past year.

LG Training: President and Councillors Dayman and Palmer have been involved in attending Webinars.

LOCAL GOVERNMENT REFORM:

Our Council continues to ensure that the Shire of Nungarin will be in the best position to gain the most advantages for our Community when changes occur.

NORTH EASTERN WHEATBELT REGIONAL ORGANISATION OF COUNCILS (NEWROC):

The Shire of Nungarin continues to be a member of NEWROC. NEWROC continues to be used as an example for the co-operation and projects that occur in this organisation.

The NEWROC Telecommunication Upgrade program is supported by all Councils and is now working. Wyalkatchem continues to have the Chair.

HEALTH:

The four Shires of Nungarin, Mukinbudin, Trayning and Mt Marshall continue to own the Kununoppin Medical Practise.

TELECOMMUNICATIONS:

We need to continue to encourage Telstra to maintain the tower on Mt Gray (Shire of Mukinbudin) as farmers and others from four Shires will not be able to receive a signal from their town towers.

POLICING:

Continues to be a concern in our Community and region, and Council and our Chief Executive Officer have contact on a needs basis.

NATURAL RESOURCE MANAGEMENT

Nungarin now have a NRM Contractor who is used on a needs basis.

OTHER GROUPS WITH COUNCIL / COMMUNITY REPRESENTATION:

- Rural Water Council Inc.: President and Deputy President
- Kununoppin Local Health Advisory Group: President, Cr Taylor (Chair) and CEO
- Wheatbelt Workforce Development Alliance: President (appointed by Minister)
- Regional Road Group: President (SRRG Delegate)
- CEACA: President (Representative) and Cr Dayman (Deputy)
- Great Eastern Country Zone: President and Cr Taylor
- Local Action Group – Skeleton Weed: Cr Coumbe (elected Chair of Group), Farmers representative. [involves the Shires of Nungarin, Trayning and Merredin]
- NEWTravel and Pioneer Pathways: Cr Palmer
- Wheatbelt Natural Resource Management: Cr Davis
- LG Development Assessment Panel members: President, Deputy President. Deputies: Cr Dayman and Cr Taylor

COUNCIL INVOLVEMENT AND SUPPORT TOWARDS:

- Australia Day celebration
- Remembrance Day ceremony
- Seniors Melbourne Cup Luncheon
- Celebrating Proclamation Day: (with Nungarin C.W.A.)

- All Community Groups and relevant projects
- Nungarin Primary School: Annual Book prizes and assistance when asked.
- Nungarin Heritage and Army Museum:
- Nungarin Community Resource Centre:
- Council's continued support to Nungarin & Towns Football Club
- Nungarin Golf Club and Museum -self-supporting loans (totally reimbursed by Groups).

As a Council, we are here to maintain and improve the quality of the services to the residents of the Shire of Nungarin.

We aim to: maintain and expand the economic base of Nungarin
 provide quality local government services to the community
 provide an effective and efficient local government administration

Councillors and staff take the opportunity to promote Nungarin in a positive manner.

In my various positions, I have had the opportunity to talk to representatives of all political parties and many regional groups, bringing the concerns of our community to their attention.

Please do not hesitate in contacting our Chief Executive Officer and Councillors.

Any suggestions for the benefit of the community will be appreciated.

I would encourage you to approach our staff at the office. Quite often they are able to deal with your enquiry immediately.

There continues to be a wide range of subjects that Councillors need to be informed to be able to confidently debate and vote on.

For Nungarin to go forward, communication and co-operation amongst all in our Community is essential.

In closing, I would like to thank Councillors, Council staff and the Community for their continued support in the last twelve months.

R E O'Connell

Cr. Eileen O'Connell

President

Shire of Nungarin

CHIEF EXECUTIVE OFFICER'S REPORT

A key focus of the 2018/19 year was to focus on what we have rather than creating new costs which can inhibit moving towards progression in future years. Accordingly, an emphasis was to improve our town amenity and continue to ensure that our transport network meets the requirements of our community.

As a result of the above focus, we have been able to deliver over \$674,000 worth of capital road projects which included a major resealing of the Koorda-Bullfinch Road, Knungajin Road and Hodges Road in addition to resealing a number of streets within the townsite. In addition to the above capital delivery, continued maintenance saw over \$310,000 put back into maintenance grading and signage renewal.

As an administration and in conjunction with Council, we understand the importance of our recreational spaces and continued to work hard to deliver spaces which ensure our local clubs are competitive in their respective leagues. A major improvement in this space is the effective communication that all clubs can enjoy with the Shire to ensure that needs can be met.

Works continue to maintain our public buildings in a useable state. Additionally, maintenance of our seniors housing remains a high priority to ensure that these premises are useable and can adapt with changes as time moves on.

The Shire has continued to support the issue of aged housing regionally by continuing its membership and contribution to CEACA. Planning and pre-construction works have commenced on the first two dwelling units and we look forward to these being completed early in the 2019/20 financial year.

Internally, work continues to ensure the Shire meets its legislative compliance. A major improvement in this space is the financial reporting now undertaken and presented to Council accordingly. The method of reporting is now clear and accurate on a monthly basis and has been well received by the Office of the Auditor General.

Work continues to take place in the area of policy review and delegations. This ensures that the documents relied upon are clear, concise and accurate.

Another major step taken throughout the year was the decision to change the financial institution which the Shire banks with. It was identified that the previous institute was very expensive and so the decision was made to find an alternate. This has resulted in lower banking costs therefore creating savings throughout the budget.

Our staff continue to work hard to ensure that the Shire is a safe and appealing place to be. I would like to thank the efforts of all our staff for another successful year in delivering essential services to enable the Shire to continue to prosper in what can be challenging times.

Finally, thank you to Council for their commitment and support. The leadership shown by all has a great impact on how the Shire operates and enables the community to benefit for the long term.

Adam Majid

Chief Executive Officer

FREEDOM OF INFORMATION STATEMENT

The Shire of Nungarin will provide people with all necessary information held by the Council; however if we are unable to supply this information by less formal means, a Freedom of Information request can be made.

EMPLOYEE REMUNERATION

As per Section 19B of the Local Government (Administration) Regulations 1996, the annual report must contain information on the number of employees entitled to an annual salary of \$100,000 or more. It also must be reported the number of employees in each band of \$10,000 over \$100,000.

Salary Range	Number of Employees
\$130,000 - \$140,000	1

COMPLAINTS REGISTER

As per Section 5.53(2)(hb) of the Local Government Act 1995, the annual report must contain details of entries made under section 5.121 during the financial year in the register of complaints, including — (i) the number of complaints recorded in the register of complaints; and (ii) how the recorded complaints were dealt with.

During the year ended 30 June 2019, no complaints were recorded in the register of complaints.

NATIONAL COMPETITION POLICY

National Competition Policy (NCP) is designed to enhance the effectiveness of public sector agencies and lead to more efficient use of all economic resources. There are a number of specific requirements placed on local government in the areas of competitive neutrality, legislation review and structural reform.

1. Competitive Neutrality

The principle of competitive neutrality is that government businesses should not enjoy a competitive advantage, or disadvantage, simply as a result of their public sector ownership. Measures should be introduced to effectively neutralise any net competitive advantage flowing from government ownership. Competitive neutrality should apply to all business activities, which generate a user-pays income of over \$200,000 unless it can be shown it is not in the public interest. Public benefit tests are used to determine if competitive neutrality is in the public interest. The Shire of Nungarin does not operate a business activity, which generates a user-pays income over \$200,000 per annum. Consequently, the Shire of Nungarin is not required to implement competitive neutrality.

2. Legislation Review

All local governments are required to assess which of their local laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome. Where necessary Clause 7 legislation review principles will be complied with and the Shire of Nungarin remains committed to reviewing its existing local laws, as well as proposed local laws.

3. Structural Reform

Before local governments privatise a monopoly business or introduce competition into a sector dominated by a monopoly or near monopoly, the regulatory and commercial activities must be separated and a review undertaken.

The Shire of Nungarin did not privatise any activities in , consequently there were no obligations for structural reform. Nevertheless, the Shire of Nungarin is committed to the principles of structural reform under National Competition Policy.

OVERVIEW – PLAN FOR THE FUTURE

The Shire’s Strategic Community Plan was developed in 2013 and is designed as a guide for the future direction of the Shire including initiatives to be completed for the benefit of the district and its residents.

The Strategic Community Plan informs the Corporate Business Plan which in turn informs the Annual Budget to ensure that the Council allocates sufficient resources to undertake the initiatives contained within the Strategic Community Plan.

The following table identifies those initiatives which saw results during the 2018/19 year.

Focus Areas	Outcomes	Results
<p style="text-align: center;">Social</p>	<ul style="list-style-type: none"> • Provide and maintain adequate community services and facilities • Plan and deliver sport and recreation, public space and community events • Maintain community safety and accessibility to services and facilities • Deliver safe and efficient road, rail and air connections • Culture, heritage and place are value, shared and celebrated • A welcoming community that cares and looks after each other 	<ul style="list-style-type: none"> • The Shire continues to fund community facilities to a high standard to enable accessibility for all demographics to encourage optimal use • The Shire continued to improve major roads to enable safe passage of all road vehicles including tourist traffic in addition to improving town amenity by upgrading town streets • The Shire continues to support all sport and recreation clubs by maintaining all playing surfaces to as high a standard as possible • Cultural acknowledgements are provided at every Council meeting • The Shire continues to support local community groups and events by budgeting adequate staff resources and providing significant in-kind donations
<p style="text-align: center;">Economic</p>	<ul style="list-style-type: none"> • Assist in providing housing affordability and choice • Promote and develop thriving tourism sector • Improve telecommunications 	<ul style="list-style-type: none"> • The Shire has continued to support CEACA to develop housing diversity within the region • The Shire is an active member of NEWTravel and Pioneers Pathway • Through NEWROC, the Shire is

		<p>continually looking at ways to expand the Crisp Wireless network</p> <ul style="list-style-type: none"> • The Shire continues to promote the Nungarin Caravan park through advertising throughout the Central Wheatbelt Visitors Centre • Free WiFi access is available for use at the Recreation Centre for all visitors
Environment	<ul style="list-style-type: none"> • Protect and enhance natural environment • Deliver best practice refuse management 	<ul style="list-style-type: none"> • The Shire received grant funding for NRM projects including revegetation • The Shire continues to be the host Shire for the skeleton weed Local Action Group including employment of personnel for the program • The Shire continues to provide a recycling point which is collected on a regular basis
Civic Leadership	<ul style="list-style-type: none"> • A Shire that prospers through partnerships and good governance 	<ul style="list-style-type: none"> • The Shire remains an active member of NEWROC which is working to deliver positive outcomes for the Shire and greater region • CEACA remains a priority with continued participation in the housing development program in the region

DISABILITY ACCESS AND INCLUSION PLAN

The Shire of Nungarin Disability Services Plan has been in place since 1996 and was fully reviewed in May 2015. A minor review in conjunction with the department was undertaken during the 2018/19 year.

The Shire of Nungarin is committed to ensuring that the community is an accessible community for people with disabilities, their families and carers.

The Shire of Nungarin believes that people with disabilities, their families and carers who live in country areas should be supported to remain in the community of their choice.

The Shire of Nungarin aims to ensure that all new constructions are designed incorporating disability access.

The Shire of Nungarin is committed to achieving the following outcomes:

Outcome 1 People with disabilities have same opportunities as other people to access the services of, and any events organised by, the Shire of Nungarin.

Outcome 2 People with disabilities have same opportunities as other people to access buildings and other facilities of the Nungarin Shire.

Outcome 3 People with disabilities receive information for the Shire of Nungarin in a format that will enable them to access the information as readily available as other people are able to access it.

Outcome 4 People with disabilities receive the same level of service from the employees of a public authority as other people receive from the employees of the Shire of Nungarin.

Outcome 5 People with disabilities have the same opportunities as other people to make complaints to the Shire of Nungarin

Outcome 6 People with disabilities have the same opportunities as the other people to participate in any public consultation by the Shire of Nungarin.

Outcome 7 People with disabilities have the same opportunities as other people to obtain and maintain employment with a public authority.

ATTACHMENTS

1. Annual Financial Report
2. Auditors Report

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

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COMMUNITY VISION

The Shire of Nungarin is committed to serving its constituents and to maintain and improve community services to the highest degree.

Principal place of business:
21 Railway Avenue
Nungarin WA 6490

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 10th day of DECEMBER 2019



Chief Executive Officer

ADAM MAJID

Name of Chief Executive Officer

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	21(a)	538,349	540,348	510,342
Operating grants, subsidies and contributions	2(a)	1,468,187	933,248	1,374,395
Fees and charges	2(a)	87,868	110,013	105,720
Interest earnings	2(a)	35,928	27,121	33,325
Other revenue	2(a)	389,966	82,960	238,855
		<u>2,520,298</u>	<u>1,693,690</u>	<u>2,262,637</u>
Expenses				
Employee costs		(893,330)	(771,405)	(946,106)
Materials and contracts		(862,610)	(816,858)	(1,596,411)
Utility charges		(117,846)	(141,892)	(126,504)
Depreciation on non-current assets	10(c)	(1,175,653)	(922,856)	(916,419)
Interest expenses	2(b)	(29,433)	(30,131)	(32,020)
Insurance expenses		(89,825)	(87,253)	(91,689)
Other expenditure		(176,186)	(220,876)	(205,468)
		<u>(3,344,883)</u>	<u>(2,991,271)</u>	<u>(3,914,617)</u>
		(824,585)	(1,297,581)	(1,651,980)
Non-operating grants, subsidies and contributions	2(a)	314,551	328,038	1,343,301
(Loss) on asset disposals	10(a)	(14,903)	0	(6,035)
Fair value adjustments to financial assets at fair value through profit or loss	7(a)	35,034	0	0
		<u>334,682</u>	<u>328,038</u>	<u>1,337,266</u>
Net result for the period		(489,903)	(969,543)	(314,714)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	8,233,927	0	30,934
Total other comprehensive income for the period		8,233,927	0	30,934
Total comprehensive income for the period		7,744,024	(969,543)	(283,780)

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Governance		203,866	221,007	14,225
General purpose funding		1,551,154	998,057	1,447,914
Law, order, public safety		12,164	7,408	9,383
Health		236	0	0
Education and welfare		131,505	4,560	147,314
Housing		51,221	49,904	54,516
Community amenities		47,888	49,550	83,204
Recreation and culture		14,536	27,841	62,591
Transport		382,855	178,494	349,610
Economic services		68,580	75,500	4,497
Other property and services		56,293	81,369	89,383
		<u>2,520,298</u>	<u>1,693,690</u>	<u>2,262,637</u>
Expenses				
Governance		(503,037)	(570,331)	(835,784)
General purpose funding		(21,343)	(21,761)	(63,680)
Law, order, public safety		(31,252)	(47,315)	(51,009)
Health		(38,243)	(48,043)	(62,201)
Education and welfare		(158,255)	(7,775)	(151,635)
Housing		(195,879)	(201,513)	(191,815)
Community amenities		(138,182)	(144,309)	(163,558)
Recreation and culture		(735,667)	(701,019)	(758,652)
Transport		(1,325,321)	(980,605)	(1,016,011)
Economic services		(75,722)	(124,383)	(59,085)
Other property and services		(92,549)	(114,086)	(529,167)
		<u>(3,315,450)</u>	<u>(2,961,140)</u>	<u>(3,882,597)</u>
Finance Costs				
	2(b)			
Governance		(3,566)	(3,771)	(4,056)
Recreation and culture		(15,681)	(16,012)	(17,354)
Transport		(10,186)	(10,348)	(10,610)
		<u>(29,433)</u>	<u>(30,131)</u>	<u>(32,020)</u>
		(824,585)	(1,297,581)	(1,651,980)
Non-operating grants, subsidies and contributions	2(a)	314,551	328,038	1,343,301
(Loss) on disposal of assets	10(a)	(14,903)	0	(6,035)
Fair value adjustments to financial assets at fair value through profit or loss	7(a)	35,034	0	0
		<u>334,682</u>	<u>328,038</u>	<u>1,337,266</u>
Net result for the period		(489,903)	(969,543)	(314,714)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	8,233,927	0	30,934
Total other comprehensive income for the period		8,233,927	0	30,934
Total comprehensive income for the period		7,744,024	(969,543)	(283,780)

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



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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,342,687	1,444,645
Trade receivables	5	188,692	222,545
Inventories	6	37,323	26,078
TOTAL CURRENT ASSETS		1,568,702	1,693,268
NON-CURRENT ASSETS			
Trade receivables	5	17,187	26,097
Other financial assets	7(a)	35,034	30,934
Inventories	6	0	52,655
Property, plant and equipment	8	7,350,763	7,583,966
Infrastructure	9	44,430,952	36,392,901
TOTAL NON-CURRENT ASSETS		51,833,936	44,086,553
TOTAL ASSETS		53,402,638	45,779,821
CURRENT LIABILITIES			
Trade and other payables	12	110,460	190,072
Borrowings	13(a)	45,430	44,355
Employee related provisions	14	96,737	84,502
TOTAL CURRENT LIABILITIES		252,627	318,929
NON-CURRENT LIABILITIES			
Borrowings	13(a)	488,175	533,605
Employee related provisions	14	6,906	16,381
TOTAL NON-CURRENT LIABILITIES		495,081	549,986
TOTAL LIABILITIES		747,708	868,915
NET ASSETS		52,654,930	44,910,906
EQUITY			
Retained surplus		12,720,287	13,187,842
Reserves - cash backed	4	476,090	498,438
Revaluation surplus	11	39,458,553	31,224,626
TOTAL EQUITY		52,654,930	44,910,906

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



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

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		13,567,081	433,912	31,193,692	45,194,685
Comprehensive income					
Net result for the period		(314,714)	0	0	(314,714)
Other comprehensive income	11	0	0	30,934	30,934
Total comprehensive income		(314,714)	0	30,934	(283,780)
Transfers from/(to) reserves	4	(64,525)	64,525	0	0
Balance as at 30 June 2018		13,187,842	498,438	31,224,626	44,910,906
Comprehensive income					
Net result for the period		(489,903)	0	0	(489,903)
Other comprehensive income	11	0	0	8,233,927	8,233,927
Total comprehensive income		(489,903)	0	8,233,927	7,744,024
Transfers from/(to) reserves	4	22,348	(22,348)	0	0
Balance as at 30 June 2019		12,720,287	476,090	39,458,553	52,654,930

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		531,172	559,934	528,133
Operating grants, subsidies and contributions		1,468,152	983,248	1,374,395
Fees and charges		168,391	110,013	29,048
Interest received		35,928	27,121	37,236
Goods and services tax received		115,522	51,369	117,554
Other revenue		389,966	82,960	238,855
		2,709,131	1,814,645	2,325,221
Payments				
Employee costs		(898,263)	(771,405)	(1,012,845)
Materials and contracts		(892,263)	(816,858)	(1,498,261)
Utility charges		(117,846)	(141,892)	(126,504)
Interest expenses		(29,867)	(30,131)	(32,432)
Insurance paid		(89,825)	(87,253)	(91,689)
Goods and services tax paid		(184,023)	0	(139,450)
Other expenditure		(174,547)	(220,876)	(191,003)
		(2,386,634)	(2,068,415)	(3,092,184)
Net cash provided by (used in) operating activities	15	322,497	(253,770)	(766,963)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(23,032)	(233,100)	(78,456)
Payments for construction of infrastructure	9(a)	(682,151)	(784,040)	(412,019)
Non-operating grants, subsidies and contributions	2(a)	314,551	328,038	1,343,301
Proceeds from loan advances		0	0	3,600
Proceeds from self supporting loans	13(b)	10,532	10,533	10,160
Proceeds from sale of property, plant & equipment	10(a)	0	0	29,091
Net cash provided by (used in) investment activities		(380,100)	(678,569)	895,677
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(44,355)	(44,355)	(42,055)
Net cash provided by (used in) financing activities		(44,355)	(44,355)	(42,055)
Net increase (decrease) in cash held		(101,958)	(976,694)	86,659
Cash at beginning of year	3	1,444,645	1,445,126	1,357,986
Cash and cash equivalents at the end of the year	3,15	1,342,687	468,432	1,444,645

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	22 (b)	1,012,714	1,042,000	948,259
		1,012,714	1,042,000	948,259
Revenue from operating activities (excluding rates)				
Governance		203,866	221,007	14,225
General purpose funding		1,010,304	457,709	936,005
Law, order, public safety		12,164	7,408	9,383
Health		236	0	0
Education and welfare		131,505	4,560	147,314
Housing		51,221	49,904	54,516
Community amenities		47,888	49,550	83,204
Recreation and culture		14,536	27,841	62,591
Transport		382,855	178,494	349,610
Economic services		68,580	75,500	4,497
Other property and services		91,327	81,369	89,383
		2,014,482	1,153,342	1,750,728
Expenditure from operating activities				
Governance		(506,603)	(574,102)	(845,875)
General purpose funding		(21,343)	(21,761)	(63,680)
Law, order, public safety		(31,252)	(47,315)	(51,009)
Health		(38,243)	(48,043)	(62,201)
Education and welfare		(158,255)	(7,775)	(151,635)
Housing		(195,879)	(201,513)	(191,815)
Community amenities		(138,182)	(144,309)	(163,558)
Recreation and culture		(751,348)	(717,031)	(776,006)
Transport		(1,335,507)	(990,953)	(1,026,621)
Economic services		(75,722)	(124,383)	(59,085)
Other property and services		(107,452)	(114,086)	(529,167)
		(3,359,786)	(2,991,271)	(3,920,652)
Non-cash amounts excluded from operating activities	22(a)	1,146,052	922,856	933,373
Amount attributable to operating activities		813,462	126,927	(288,292)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	314,551	328,038	1,343,301
Proceeds from disposal of assets	10(a)	0	0	29,091
Purchase of property, plant and equipment	8(a)	(23,032)	(233,100)	(78,456)
Purchase and construction of infrastructure	9(a)	(682,151)	(784,040)	(412,019)
Amount attributable to investing activities		(390,632)	(689,102)	881,917
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(44,355)	(44,355)	(42,055)
Proceeds from loan advances		0	0	3,600
Proceeds from self supporting loans	13(b)	10,532	10,533	10,160
Transfers to reserves (restricted assets)	4	(3,152)	(5,000)	(298,524)
Transfers from reserves (restricted assets)	4	25,500	60,923	234,000
Amount attributable to financing activities		(11,475)	22,101	(92,819)
Surplus/(deficit) before imposition of general rates		411,355	(540,074)	500,806
Total amount raised from general rates	21	540,850	540,348	511,909
Surplus/(deficit) after imposition of general rates	22(b)	952,205	274	1,012,715

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance		214,237	
General purpose funding	976,628	431,059	905,093
Law, order, public safety	6,978	6,308	7,798
Education and welfare	0	0	2,280
Community amenities	46,411	35,650	80,725
Recreation and culture	0	0	32,000
Transport	379,676	175,994	346,499
Economic services	60,000	70,000	0
Other property and services	(1,506)	0	0
	1,468,187	933,248	1,374,395
Non-operating grants, subsidies and contributions			
Governance	0	0	827,853
Community amenities	0	0	7,127
Recreation and culture	0	0	40,000
Transport	314,551	328,038	468,321
	314,551	328,038	1,343,301
	1,782,738	1,261,286	2,717,696
Total grants, subsidies and contributions			

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. 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.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Significant revenue			
NEWROC reimbursements	190,215	0	0
Other revenue			
Reimbursements and recoveries	323,002	10,560	159,193
Other	66,964	72,400	79,662
	<u>389,966</u>	<u>82,960</u>	<u>238,855</u>
Fees and Charges			
Governance	6,526	4,870	5,216
General purpose funding	1,080	650	630
Law, order, public safety	1,185	1,100	1,585
Health	236	0	0
Housing	49,348	49,904	52,692
Community amenities	1,477	13,900	2,479
Recreation and culture	16,699	26,720	29,115
Economic services	8,580	5,500	4,497
Other property and services	2,737	7,369	9,506
	<u>87,868</u>	<u>110,013</u>	<u>105,720</u>

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

Interest earnings

Loans receivable - clubs/institutions	830	1,121	1,476
Reserve accounts interest	3,152	5,000	6,825
Rates instalment and penalty interest (refer Note 21(c))	16,507	13,000	15,638
Other interest earnings	15,439	8,000	9,386
	<u>35,928</u>	<u>27,121</u>	<u>33,325</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Significant expense

NEWROC Project expenditure

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
	143,375	0	0
Auditors remuneration			
- Audit of the Annual Financial Report	35,000	22,600	33,892
- Other services	200	800	800
	<u>35,200</u>	<u>23,400</u>	<u>34,692</u>
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	29,433	30,131	32,020
	<u>29,433</u>	<u>30,131</u>	<u>32,020</u>
Rental charges			
- Operating leases	10,553	0	0
	<u>10,553</u>	<u>0</u>	<u>0</u>

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		802,653	941,480
Restricted Cash		540,034	503,165
		<u>1,342,687</u>	<u>1,444,645</u>
Comprises:			
- Unrestricted cash and cash equivalents		802,653	941,480
- Restricted cash and cash equivalents		540,034	503,165
		<u>1,342,687</u>	<u>1,444,645</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Reserves cash backed - Leave Reserve	4	103,643	102,992
Reserves cash backed - Plant	4	153,429	152,465
Reserves cash backed - Office building	4	37,828	37,590
Reserves cash backed - Swimming pool	4	45,085	44,802
Reserves cash backed - Land development	4	2,079	2,066
Reserves cash backed - Building	4	21,259	21,126
Reserves cash backed - Community bus	4	110,975	110,277
Reserves cash backed - Computer equipment/software	4	1,792	27,120
	4	<u>476,090</u>	<u>498,438</u>
Other restricted cash and cash equivalents			
Unspent grants/contributions	20	52,978	4,727
Other bonds and deposits held	12,24	10,966	0
Total restricted cash and cash equivalents		<u>540,034</u>	<u>503,165</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019 Actual		2019 Actual		2019 Budget		2019 Budget		2019 Budget		2018 Actual		2018 Actual		2018 Actual	
	Opening Balance	Transfer to	Actual	Closing Balance	Opening Balance	Transfer (from)	Closing Balance	Opening Balance	Transfer (from)	Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Transfer (from)	Actual Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
(a) Reserves cash backed - Leave Reserve	102,992	651	0	103,643	102,992	1,033	0	104,025	106,319	101,673	(105,000)	102,992				
(b) Reserves cash backed - Plant	152,465	964	0	153,429	152,465	1,530	0	153,995	2,427	150,038	0	152,465				
(c) Reserves cash backed - Office building	37,590	238	0	37,828	37,590	377	0	37,967	37,008	582	0	37,590				
(d) Reserves cash backed - Swimming pool	44,802	283	0	45,085	44,801	449	(35,423)	9,827	134,979	38,823	(129,000)	44,802				
(e) Reserves cash backed - Land development	2,066	13	0	2,079	2,066	21	0	2,087	2,035	31	0	2,066				
(f) Reserves cash backed - Building	21,126	133	0	21,259	21,126	212	0	21,338	20,799	327	0	21,126				
(g) Reserves cash backed - Community bus	110,277	698	0	110,975	110,277	1,106	0	111,383	108,569	1,708	0	110,277				
(h) Reserves cash backed - Computer equipment/software	27,120	172	(25,500)	1,792	27,121	272	(25,500)	1,893	21,777	5,343	0	27,120				
	498,438	3,152	(25,500)	476,090	498,438	5,000	(60,923)	442,515	433,913	298,525	(234,000)	498,438				

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Reserves cash backed - Leave Reserve	Ongoing	- to be used to fund annual and long service leave requirements
(b) Reserves cash backed - Plant	Ongoing	- to be used for the purchase of major plant
(c) Reserves cash backed - Office building	Ongoing	- to be used for the construction of a new administration centre
(d) Reserves cash backed - Swimming pool	Ongoing	- to be used for the refurbishment of the swimming pool.
(e) Reserves cash backed - Land development	Ongoing	- to be used for the development of a light industrial area.
(f) Reserves cash backed - Building	Ongoing	- a reserve created to be used for the future building needs of the Shire.
(g) Reserves cash backed - Community bus	Ongoing	- a reserve created to quarantine excess funds to replace the community bus when required.
(h) Reserves cash backed - Computer equipment/software	Ongoing	- to be used for the major upgrades of Council's computer system.

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel	5,963	2,818
History books	4,065	23,260
Land held for resale - cost		
Cost of acquisition	27,295	0
	37,323	26,078
Non-current		
Land held for resale - cost		
Cost of acquisition	0	23,435
Development costs	0	29,220
	0	52,655

The following movements in inventories occurred during the year:

Carrying amount at 1 July	78,733	79,869
Inventories expensed during the year	0	(44,189)
Write down of inventories to net realisable value	(19,195)	0
Additions to inventory	(22,215)	43,053
Carrying amount at 30 June	37,323	78,733

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

Land held for development and 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.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

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

7. OTHER FINANCIAL ASSETS

(a) Non-current assets

Financial assets at fair value through profit and loss

2019	2018
\$	\$
35,034	30,934
<u>35,034</u>	<u>30,934</u>

Financial assets at fair value through profit and loss

- *Unlisted equity investments*

WA Local Government House Unit Trust

35,034	30,934
<u>35,034</u>	<u>30,934</u>

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services

35,034	30,934
<u>35,034</u>	<u>30,934</u>

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	726,500	11,000	1,882,000	4,477,800	7,097,300	26,159	7,817,674
Additions	0	0	15,000	10,000	25,000	0	78,456
(Disposals)	0	0	0	0	0	0	(35,126)
Depreciation (expense)	0	0	(82,063)	(114,685)	(196,748)	(3,561)	(277,038)
Carrying amount at 30 June 2018	726,500	11,000	1,814,937	4,373,115	6,925,552	22,598	7,583,966
Comprises:							
Gross carrying amount at 30 June 2018	726,500	11,000	1,897,000	4,487,800	7,122,300	29,719	7,930,485
Accumulated depreciation at 30 June 2018	0	0	(82,063)	(114,685)	(196,748)	(7,121)	(346,519)
Carrying amount at 30 June 2018	726,500	11,000	1,814,937	4,373,115	6,925,552	22,598	7,583,966
Additions	0	0	0	0	0	23,032	23,032
(Disposals)	(2,500)	0	0	(12,403)	(14,903)	0	(14,903)
Depreciation (expense)	0	0	(55,187)	(123,679)	(178,866)	(3,561)	(266,692)
Transfers	25,360	0	0	0	25,360	0	25,360
Carrying amount at 30 June 2019	749,360	11,000	1,759,750	4,237,033	6,757,143	42,069	7,350,763
Comprises:							
Gross carrying amount at 30 June 2019	749,360	11,000	1,897,000	4,474,000	7,131,360	52,751	7,962,577
Accumulated depreciation at 30 June 2019	0	0	(137,250)	(236,967)	(374,217)	(10,682)	(611,814)
Carrying amount at 30 June 2019	749,360	11,000	1,759,750	4,237,033	6,757,143	42,069	7,350,763

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per hectare
Land - freehold land	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Price per hectare
Land - vested in and under the control of Council	3	Income approach	Independent registered valuers	June 2017	Comparative income and expense data
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2017	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Purchase costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Independent valuation 2016	2	Market approach using recent observable market data for similar items	Independent registered valuers	June 2016	Market price per item
- Independent valuation 2016	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2016	Purchase costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs

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

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

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Foopaths	Drainage	Parks & ovals	Dams	Refuse	Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	34,167,025	123,735	141,000	97,000	420,000	11,500	1,660,003	36,620,263
Additions	202,453	0	0	0	0	0	209,566	412,019
Depreciation (expense)	(461,416)	(6,010)	(6,705)	(12,211)	(16,803)	(1,287)	(134,949)	(639,381)
Carrying amount at 30 June 2018	33,908,062	117,725	134,295	84,789	403,197	10,213	1,734,620	36,392,901
Comprises:								
Gross carrying amount at 30 June 2018	46,545,855	452,516	298,000	256,000	737,000	33,000	4,050,566	52,372,937
Accumulated depreciation at 30 June 2018	(12,637,793)	(334,791)	(163,705)	(171,211)	(333,803)	(22,787)	(2,315,946)	(15,980,036)
Carrying amount at 30 June 2018	33,908,062	117,725	134,295	84,789	403,197	10,213	1,734,620	36,392,901
Additions	675,897	0	0	0	0	0	6,254	682,151
Revaluation increments / (decrements) transferred to revaluation surplus	8,221,910	42,951	0	0	0	0	0	8,264,861
Depreciation (expense)	(718,632)	(6,009)	(6,705)	(12,211)	(16,804)	(1,287)	(147,313)	(908,961)
Carrying amount at 30 June 2019	42,087,237	154,667	127,590	72,578	386,393	8,926	1,593,561	44,430,952
Comprises:								
Gross carrying amount at 30 June 2019	51,725,104	375,225	298,000	256,000	737,000	33,000	4,056,820	57,481,149
Accumulated depreciation at 30 June 2019	(9,637,867)	(220,558)	(170,410)	(183,422)	(350,607)	(24,074)	(2,463,259)	(13,050,197)
Carrying amount at 30 June 2019	42,087,237	154,667	127,590	72,578	386,393	8,926	1,593,561	44,430,952

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2019	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Foopaths	3	Cost approach using depreciated replacement cost	Independent Valuation	June 2019	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Drainage	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Parks & ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Dams	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Refuse	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs
Other	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Construction costs (Level 2), current condition, residual values and remaining useful life assessments (Level 3) inputs

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

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

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

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 Shire.

SHIRE OF NUNGARIN
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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Land - freehold land - assets under \$5,000 written off	2,500	0	0	(2,500)	0	0	0	0	0	0	0	0
Buildings - specialised - assets under \$5,000 written off	12,403	0	0	(12,403)	0	0	0	0	0	0	0	0
Plant and equipment	0	0	0	0	0	0	0	0	35,126	29,091	0	(6,035)
	14,903	0	0	(14,903)	0	0	0	0	35,126	29,091	0	(6,035)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Buildings - Specialised				
Community amenities				
LOT 14 (30) RAILWAY AVE NUNGARIN - PUBLIC TOILETS	3,707	0	0	(3,707)
Recreation and culture				
LOT 7 (76) DANBERRIN RD - SWIMMING POOL - CHEMICAL SHED	1,899	0	0	(1,899)
BLDG - SPORTS GROUND - TICKET BOX	4,397	0	0	(4,397)
LOT 168 (64) RAILWAY AVE NUNGARIN - MEMORIAL HALL TOILET BLOCK	2,400	0	0	(2,400)
	12,403	0	0	(12,403)
Land				
Other Property and Services				
LAND - LOT 1 KNUNGAJIN RD NUNGARIN	2,500	0	0	(2,500)
	2,500	0	0	(2,500)
	14,903	0	0	(14,903)

(b) Change in accounting policy

The regulation stated that an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000. The adoption of the regulation constitutes a change in accounting policy.

Due to the effect on the financial statements not being material, the Shire did not retrospectively apply the changes in accounting policy arising from the new regulations and has not restated comparative figures.

During the year assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 1 July 2018, amounting to \$14,903, have been excluded from the assets of the Shire and written off in the Statement of Comprehensive Income.

Land - freehold land

Disposal of assets under \$5,000 in value	2,500	0	0	(2,500)
	2,500	0	0	(2,500)

Buildings

Disposal of assets under \$5,000 in value	12,403	0	0	(12,403)
	12,403	0	0	(12,403)

Total disposal of assets under \$5,000 in value	14,903	0	0	(14,903)
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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(c) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	55,187	82,639	82,063
Buildings - specialised	123,679	115,491	114,685
Furniture and equipment	3,561	3,586	3,561
Plant and equipment	84,265	77,269	76,729
Infrastructure - Roads	718,632	464,655	461,416
Foopath	6,009	6,052	6,010
Drainage	6,705	6,752	6,705
Parks & ovals	12,211	12,297	12,211
Dams	16,804	16,922	16,803
Refuse	1,287	1,296	1,287
Other	147,313	135,897	134,949
	1,175,653	922,856	916,419

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life	Asset Class	Useful life
Buildings	30 to 50 years	Gravel roads	
Furniture and equipment	4 to 10 years	- formation	not depreciated
Plant and equipment	5 to 15 years	- pavement	50 years
Sealed roads and streets		Footpaths	20 to 75 years
formation	not depreciated	Drainage	5 to 75 years
pavement	5 to 50 years	Park & ovals	5 to 75 years
seal		Dams	5 to 75 years
- bituminous seals	20 years	Refuse	5 to 75 years
- asphalt surfaces	25 years	Other	5 to 75 years

Depreciation (Continued)

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

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

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF NUNGARIN
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11. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Revaluation Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Buildings - specialised	2,736,859	0	0	0	2,736,859	2,736,859	0	0	0	2,736,859	0	0
Revaluation surplus - Furniture and equipment	5,898	0	0	0	5,898	5,898	0	0	0	5,898	0	0
Revaluation surplus - Plant and equipment	554,050	0	0	0	554,050	554,050	0	0	0	554,050	0	0
WA Local Government House Unit Trust	30,934	0	(30,934)	(30,934)	0	0	0	0	0	30,934	0	0
Revaluation surplus - Infrastructure - Roads	26,266,913	8,221,910	0	8,221,910	34,488,823	26,266,913	0	0	0	26,266,913	0	0
Revaluation surplus - Footpaths	0	42,951	0	42,951	42,951	0	0	0	0	0	0	0
Revaluation surplus - Drainage	78,795	0	0	0	78,795	78,795	0	0	0	78,795	0	0
Revaluation surplus - Dams	420,686	0	0	0	420,686	420,686	0	0	0	420,686	0	0
Revaluation surplus - Refuse	1,532	0	0	0	1,532	1,532	0	0	0	1,532	0	0
Revaluation surplus - Other	1,128,959	0	0	0	1,128,959	1,128,959	0	0	0	1,128,959	0	0
	31,224,626	8,264,861	(30,934)	8,233,927	39,458,553	31,193,692	30,934	0	0	30,934	0	0

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

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Accrued interest on long term borrowings	
Accrued salaries and wages	
ATO liabilities	
Accrued expenditure	
Other bonds and deposits (see note 24)	
ESL Liability	

	2019	2018
	\$	\$
	25,928	93,859
	5,599	6,033
	5,771	5,553
	27,543	62,475
	37,004	26,142
	10,966	0
	(2,351)	(3,990)
	110,460	190,072

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

SHIRE OF NUNGARIN
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13. INFORMATION ON BORROWINGS

	2019	2018
(a) Borrowings	\$	\$
Current	45,430	44,355
Non-current	488,175	533,605
	533,605	577,960

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2018		30 June 2018	
				Actual Principal 1 July 2018	Actual Interest	Actual New Loans	Budget Principal 1 July 2018	Budget Interest	Budget New Loans	Actual Principal 1 July 2018	Actual Interest	Actual New Loans	Actual Principal 1 July 2017	Actual Interest	Actual New Loans	Actual Principal 1 July 2017	Actual Interest
Government																	
Loan 63 - Lot 191 Staff House	63	WATC	6.39%	60,950	3,566	0	60,949	7,834	3,771	0	68,306	0	7,356	4,056	60,950		
Recreation and culture																	
Loan 65 - Community Recreation Centre	65	WATC	7.32%	208,876	14,868	0	208,876	14,748	14,891	0	222,592	0	13,716	15,901	208,876		
Transport																	
Loan 66 - Shire Depot	66	WATC	3.82%	273,691	10,166	0	273,691	11,240	10,348	0	284,514	0	10,823	10,610	273,691		
				543,517	28,620	0	543,516	33,822	29,010	0	575,412	0	31,895	30,567	543,517		
Self Supporting Loans																	
Recreation and culture																	
Loan 66 - Nungarin Golf Club	66	WATC	6.36%	3,853	182	0	3,854	2,528	206	0	6,228	0	2,375	337	3,853		
Loan 67 - Museum	67	WATC	4.64%	12,121	260	0	12,121	1,983	540	0	14,015	0	1,894	614	12,121		
Loan 69 - Football Club	69	WATC	2.21%	18,469	371	0	18,469	6,022	375	0	24,360	0	5,891	502	18,469		
				34,443	813	0	34,444	10,533	1,121	0	44,603	0	10,160	1,453	34,443		
				577,960	29,433	0	577,960	44,355	30,131	0	620,015	0	42,055	32,020	577,960		

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

13. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	200,000	200,000
Bank overdraft at balance date	0	0
Credit card limit	0	0
Credit card balance at balance date	0	0
Total amount of credit unused	200,000	200,000
Loan facilities		
Loan facilities - current	45,430	44,355
Loan facilities - non-current	488,175	533,605
Total facilities in use at balance date	533,605	577,960

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 23.

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	48,504	35,998	84,502
Non-current provisions	0	16,381	16,381
	<u>48,504</u>	<u>52,379</u>	<u>100,883</u>
Additional provision	51,748	6,728	58,476
Amounts used	(42,477)	(13,239)	(55,716)
Balance at 30 June 2019	<u>57,775</u>	<u>45,868</u>	<u>103,643</u>
Comprises			
Current	57,775	38,962	96,737
Non-current	0	6,906	6,906
	<u>57,775</u>	<u>45,868</u>	<u>103,643</u>

Amounts are expected to be settled on the following basis:

	2019 \$	2018 \$
Less than 12 months after the reporting date	70,945	48,504
More than 12 months from reporting date	32,698	52,379
	<u>103,643</u>	<u>100,883</u>

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	1,342,687	468,432	1,444,645

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(489,903)	(969,543)	(314,714)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(35,034)	0	0
Depreciation	1,175,653	922,856	916,419
(Profit)/loss on sale of asset	14,903	0	6,035
Changes in assets and liabilities:			
(Increase)/decrease in receivables	32,231	120,955	(62,401)
(Increase)/decrease in inventories	16,050	0	1,367
Increase/(decrease) in payables	(79,612)	0	144,558
Increase/(decrease) in provisions	2,760	0	(114,926)
Grants contributions for the development of assets	(314,551)	(328,038)	(1,343,301)
Net cash from operating activities	322,497	(253,770)	(766,963)

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2019</u>	<u>2018</u>
	\$	\$
Governance	471,739	535,597
General purpose funding	16,020	160,076
Law, order, public safety	46,469	51,090
Health	32,079	32,679
Education and welfare	13,866	16,592
Housing	1,805,841	1,843,166
Community amenities	462,725	595,551
Recreation and culture	5,120,726	5,349,713
Transport	44,014,808	35,894,762
Economic services	116,714	6,417
Other property and services	221,698	113,935
Unallocated	1,079,953	1,180,243
	<u>53,402,638</u>	<u>45,779,821</u>

17. CONTINGENT LIABILITIES

The Shire is not aware of any reportable contingent liabilities as at the reporting date.

18. CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$

(a) Capital Expenditure Commitments

The Shire has no capital expenditure commitments as at the reporting date (2018: Nil).

(b) Operating Lease Commitments

The Shire had no operating lease commitments as at the reporting date (2018: Nil).

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting fees	8,143	8,000	7,128
President's allowance	3,667	4,000	3,900
Travelling expenses	3,657	5,390	6,574
	<u>15,467</u>	<u>17,390</u>	<u>17,602</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	163,209	142,600
Post-employment benefits	18,705	12,972
Other long-term benefits	3,250	3,511
	<u>185,164</u>	<u>159,083</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual \$	2018 Actual \$
Purchase of newspapers, prepared food, general hardware goods and property rental - Key Management Personnel	19,122	23,524

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

iii. Entities subject to significant influence by the Shire

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
CBH Contribution - Fire Brigades	2,727	0	0	2,727	0	0	2,727
DFES - Bush Fire Brigade Grant	0	0	0	0	671	0	671
Community amenities							
DPIRD - Landcare Grant	0	0	0	0	35,274	(10,650)	24,624
Recreation and culture							
Dept of Sport & Recreation - Kidsports Grant	2,000	0	0	2,000	0	(2,000)	0
Dept of Sport & Recreation - Swimming Pool Grant	64,000	0	(64,000)	0	0	0	0
Economic services							
DPIRD - Skeleton Weed Grant	0	0	0	0	60,000	(35,044)	24,956
Total	68,727	0	(64,000)	4,727	95,945	(47,694)	52,978

Notes:

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

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

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

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

21. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue		
Gross rental valuations															
GRV - Urban	0.112815		48	319,228	36,014	0	0	0	0	36,014	0	0	0	36,014	34,057
Unimproved valuations															
UV - Rural	0.020646		110	24,730,500	510,586	0	0	0	0	510,586	0	0	0	510,530	486,544
UV - Mining	0.020646		2	59,400	1,226	462	0	1,688	0	1,226	0	0	0	1,226	1,462
Sub-Total			160	25,109,128	547,826	462	0	548,288	0	547,770	0	0	0	547,770	522,063
Minimum payment		\$													
Gross rental valuations															
GRV - Urban	419		29	16,310	12,151	0	0	12,151	0	12,151	0	0	0	12,151	11,600
Unimproved valuations															
UV - Rural	419		12	112,300	5,028	0	0	5,028	0	5,447	0	0	0	5,447	5,200
UV - Mining	419		8	22,352	3,352	0	0	3,352	0	3,352	0	0	0	3,352	2,000
Sub-Total			49	150,962	20,531	0	0	20,531	0	20,950	0	0	0	20,950	18,800
Discounts/concessions (refer Note 21(b))			209	25,260,090	568,357	462	0	568,819	0	568,720	0	0	0	568,720	540,863
Total amount raised from general rate								(27,969)		(28,372)				(28,954)	
Rates write-offs								540,850		540,348				511,909	
Totals								(2,501)		0				(1,567)	
								538,349		540,348				510,342	

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

21. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Rates Discounts		2019		2019		2018		Circumstances in which Discount is Granted
Rate or Fee Discount Granted	Discount %	Discount \$	Actual \$	Budget \$	Actual \$	Actual \$		
Rates discount	5.00%	\$ 27,969	27,969	28,372	28,372	28,954	28,954	A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice
Waivers or Concessions			27,969	28,372	28,372	28,954		
Rate or Fee and Charge to which the Waiver or Concession is Granted		Type	2019 Actual \$	2019 Budget \$	2019 Budget \$	2018 Actual \$		
General rates	write-off		2,501	0	0	1,567		
			2,501	0	0	1,567		

21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	17 Oct 2018	0.00	0.00%	10.00%
Option Two				
First instalment	17 Oct 2018	0.00	0.00%	10.00%
Second instalment	19 Feb 2019	5.00	5.50%	10.00%
Option Three				
First instalment	17 Oct 2018	0.00	0.00%	10.00%
Second instalment	18 Dec 2018	5.00	5.50%	10.00%
Third instalment	19 Feb 2019	5.00	5.50%	10.00%
Fourth instalment	26 Apr 2019	5.00	5.50%	10.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	14,764	12,000	14,620
Interest on instalment plan	1,743	1,000	1,018
Charges on instalment plan	330	250	255
	16,837	13,250	15,893

22. RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2017/18
	(30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	(30 June 2018 Brought Forward)
	\$	\$	\$

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

Less: Movement in Local Government House Unit Trust	7(a)	(35,034)	0	0
Movement in pensioner deferred rates (non-current)	5	(646)	0	0
Movement in employee benefit provisions (non-current)	14	(9,475)	0	14,247
Movement in cash backed leave reserve	3	651	0	(3,328)
Add: Loss on disposal of assets	10(a)	14,903	0	6,035
Add: Depreciation on assets	10(c)	1,175,653	922,856	916,419
Non cash amounts excluded from operating activities		1,146,052	922,856	933,373

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

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

Adjustments to net current assets

Less: Reserves - restricted cash	3	(476,090)	(442,515)	(498,438)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	0	(5,200)	0
Less: Land held for Resale - current	6	(27,295)	0	0
Less: Loans receivable - clubs/institutions	5	(9,557)	0	(10,533)
Add: Borrowings	13(a)	45,430	45,500	44,355
Add: Current liabilities not expected to be cleared at end of year		103,642	104,024	102,991
Total adjustments to net current assets		(363,870)	(298,191)	(361,625)

Net current assets used in the Rate Setting Statement

Total current assets		1,568,702	591,796	1,693,268
Less: Total current liabilities		(252,627)	(293,331)	(318,929)
Less: Total adjustments to net current assets		(363,870)	(298,191)	(361,625)
Net current assets used in the Rate Setting Statement		952,205	274	1,012,714

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.38%	1,342,687	0	1,342,687	0
2018					
Cash and cash equivalents	0.75%	1,444,645	0	1,444,645	0

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	13,427	14,446

* Holding all other variables constant

Borrowings

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

The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms. The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	64.69%	64.22%	85.05%	
Gross carrying amount	5,427	28,714	42,797	106,683	183,621
Loss allowance	0	18,576	27,484	90,735	136,795
01 July 2018					
Rates receivable					
Expected credit loss	47.73%	55.88%	69.48%	89.94%	
Gross carrying amount	2,074	49,184	32,936	75,882	160,076
Loss allowance	990	27,484	22,884	68,248	119,606

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	77.92%	
Gross carrying amount	27,941	43	0	39,535	67,519
Loss allowance	0	0	0	30,806	30,806
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	77.49%	
Gross carrying amount	94,126	2,476	0	43,242	139,844
Loss allowance	0	0	0	33,507	33,507

There is no impact as a result of adoption of AASB 9.

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	110,460	0	0	110,460	110,460
Borrowings	74,486	274,322	372,629	721,437	533,605
	184,946	274,322	372,629	831,897	644,065
2018					
Payables	190,072	0	0	190,072	190,072
Borrowings	74,486	284,714	436,724	795,924	577,960
	264,558	284,714	436,724	985,996	768,032

24. TRUST FUNDS

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Landcare	49	2	0	(51)	0
Housing Bonds	4,929	192	0	(5,121)	0
Building Fees/BRB Levy	908	0	0	(908)	0
Nungarin Central Bush Fire Brigade	4,703	184	0	(4,887)	0
Nungarin Club	38,235	41,469	(79,704)	0	0
Nomination Deposits	400	0	0	0	400
	49,224	41,847	(79,704)	(10,967)	400

In previous years, bonds and deposits were held as trust monies. These are now included in restricted cash at Note 3 and shown as current liabilities at Note 12.

25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

There were no adjustments as a result of adopting AASB 9 made against retained surplus as the assessed impact was not material.

(a) Classification and measurement

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

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

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

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

The shire designated financial assets available for sale as financial assets at fair value through profit and loss for 30 June 2019. The impact on equity as at 1 July 2018 was \$30,934.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. No adjustment was made as the effect of adoption of AASB9 is immaterial.

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

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the Statement of Financial Position at the date of initial application (1 July 2019):

(b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 3.50%.

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019. The impact as of 30 June 2019 is not expected to be material.

On adoption of AASB 16 Leases (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
The impact as of 30 June 2019 is not expected to be material.

26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

27. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

28. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

LAW, ORDER, PUBLIC SAFETY

To provide services to help ensure a safer and environmentally conscious community.

HEALTH

To provide an operational framework for environmental and community health.

EDUCATION AND WELFARE

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

HOUSING

To provide and maintain staff and elderly residents housing.

COMMUNITY AMENITIES

To provide services required by the community.

RECREATION AND CULTURE

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

TRANSPORT

To provide safe, effective and efficient transport services to the community.

ECONOMIC SERVICES

To help promote the shire and its economic wellbeing.

OTHER PROPERTY AND SERVICES

To monitor and control council's overheads operating accounts.

ACTIVITIES

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

Rates, general purpose government grants and interest revenue.

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

Food quality and pest control, assistance with operation of maternal and infant health clinic.

Operation of Home and Community Care program, and financial and family counselling programs.

Control and maintenance of staff and other rental housing, including aged accommodation units.

Rubbish collection services, operation of tips, landcare programs, administration of the town planning scheme and other community amenities.

Control and maintenance of public halls, swimming pool, recreation facilities and the library, Operation of the television rebroadcasting service.

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

Tourism and area promotion, and regulation of buildings.

Private works operation, plant repair and operation costs and engineering operation costs.

29. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	6.60	5.08	5.70
Asset consumption ratio	0.63	0.72	0.74
Asset renewal funding ratio	0.68	0.65	0.70
Asset sustainability ratio	0.38	0.49	0.75
Debt service cover ratio	5.43	(9.58)	15.34
Operating surplus ratio	(0.82)	(2.05)	0.17
Own source revenue coverage ratio	0.29	0.21	0.31

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Nungarin

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years.
 - b. The Own Source Revenue Coverage Ratio has been below the DLGSCI standard for the past 3 years.The financial ratios are reported in Note 29 of the annual financial report.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:

- a. For approximately 17% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement and could also result in favouritism of suppliers.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 29 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
11 December 2019