



SHIRE OF KONDININ

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

The Shire of Kondinin is dedicated to providing facilities and services that meet the needs of the community and enable them to enjoy a pleasant, healthy country lifestyle.

Principal Place of Business:
Gordon Street
KONDININ WA 6367

SHIRE OF KONDININ

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 Kondinin for the year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Kondinin 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 13th day of December 2019



Chief Executive Officer



Name of Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	24(a)	3,027,127	3,011,012	2,842,985
Operating grants, subsidies and contributions	2(a)	3,072,018	1,668,261	2,206,824
Fees and charges	2(a)	878,086	530,450	1,071,168
Interest earnings	2(a)	107,462	79,525	86,937
Other revenue	2(a)	750,573	401,473	954,215
		<u>7,835,267</u>	<u>5,690,721</u>	<u>7,162,129</u>
Expenses				
Employee costs		(2,165,266)	(2,049,610)	(2,274,292)
Materials and contracts		(2,347,792)	(2,088,508)	(2,581,377)
Utility charges		(319,972)	(316,800)	(293,758)
Depreciation on non-current assets	11(c)	(3,002,272)	(2,750,835)	(2,714,833)
Interest expenses	2(b)	(138,226)	(111,195)	(85,627)
Insurance expenses		(207,133)	(214,170)	(188,130)
Other expenditure		(230,741)	(234,812)	(209,639)
		<u>(8,411,402)</u>	<u>(7,765,931)</u>	<u>(8,347,656)</u>
		(576,134)	(2,075,211)	(1,185,528)
Non-operating grants, subsidies and contributions	2(a)	843,627	708,585	1,864,141
Profit on asset disposals	11(a)	10,000	1,445	14,968
(Loss) on asset disposal	11(a)	(38,191)	(18,473)	(15,560)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	49,551	0	0
		<u>864,987</u>	<u>691,557</u>	<u>1,863,549</u>
Net Result for the period		288,851	(1,383,654)	678,022
Other comprehensive income				
Items that will not be reclassified subsequent to profit or loss				
Changes on revaluation of non-current assets	12	603,214	0	20,198,888
Total other comprehensive income for the period		<u>603,214</u>	<u>0</u>	<u>20,198,888</u>
Total comprehensive income for the period		892,065	(1,383,654)	20,876,910

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue	2(a)			
Governance		39,919	8,000	166,289
General purpose funding		5,384,344	4,006,186	4,772,975
Law, order, public safety		19,505	11,000	17,279
Health		354,453	346,800	433,098
Education and welfare		0	0	(0)
Housing		56,255	50,000	49,582
Community amenities		147,971	106,800	116,985
Recreation and culture		43,089	46,523	43,932
Transport		542,208	446,028	108,131
Economic services		590,418	532,600	533,021
Other property and services		657,105	136,784	920,837
		<u>7,835,267</u>	<u>5,690,721</u>	<u>7,162,129</u>
Expenses	2(b)			
Governance		(268,624)	(304,371)	(275,545)
General purpose funding		(171,525)	(163,774)	(158,775)
Law, order, public safety		(75,512)	(81,160)	(73,279)
Health		(498,782)	(579,520)	(500,691)
Education and welfare		(121,980)	(102,786)	(109,752)
Housing		(283,729)	(282,270)	(271,401)
Community amenities		(683,136)	(669,662)	(603,499)
Recreation and culture		(1,805,538)	(1,734,856)	(1,788,116)
Transport		(2,932,654)	(2,692,742)	(2,904,527)
Economic services		(917,678)	(967,095)	(862,891)
Other property and services		(514,018)	(76,503)	(713,553)
		<u>(8,273,176)</u>	<u>(7,654,738)</u>	<u>(8,262,029)</u>
Finance Costs	2(b)			
Health		(9,903)	(8,929)	(10,385)
Housing		(4,235)	(3,636)	(4,753)
Community amenities		(86,914)	(30,066)	(34,397)
Recreation and culture		(37,174)	(68,564)	(36,092)
		<u>(138,226)</u>	<u>(111,195)</u>	<u>(85,627)</u>
		<u>(576,135)</u>	<u>(2,075,212)</u>	<u>(1,185,527)</u>
Non-operating grants, subsidies and contributions	2(a)	843,627	708,585	1,864,141
Profit on asset disposals	11(a)	10,000	1,445	14,968
(Loss) on asset disposal	11(a)	(38,191)	(18,473)	(15,560)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	49,551	0	0
		<u>864,987</u>	<u>691,557</u>	<u>1,863,549</u>
Net Result for the period		<u>288,851</u>	<u>(1,383,654)</u>	<u>678,022</u>
Other Comprehensive Income				
Items that will not be reclassified subsequent to profit or loss				
Changes on revaluation of non-current assets	12	603,214	0	20,198,888
Total other comprehensive income for the period		<u>603,214</u>	<u>0</u>	<u>20,198,888</u>
Total comprehensive income for the period		<u>892,065</u>	<u>(1,383,654)</u>	<u>20,876,910</u>

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



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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,016,064	3,839,970
Trade receivables	5	318,105	466,422
Other financial assets	8(a)	1,227,312	54,318
Inventories	6	16,705	41,247
Other current assets	7	4,165	650
TOTAL CURRENT ASSETS		3,582,351	4,402,607
NON-CURRENT ASSETS			
Other financial assets	8(b)	378,055	380,780
Property, plant and equipment	9(a)	23,372,632	22,106,452
Infrastructure	10(a)	131,877,982	129,991,901
TOTAL NON-CURRENT ASSETS		155,628,670	152,479,133
TOTAL ASSETS		159,211,021	156,881,740
CURRENT LIABILITIES			
Trade and other payables	13	474,638	610,259
Current portion of long term borrowings	14(a)	181,531	120,695
Provisions	15	409,276	368,878
TOTAL CURRENT LIABILITIES		1,065,445	1,099,832
NON-CURRENT LIABILITIES			
Long term borrowings	14(a)	3,102,670	1,613,335
Provisions	15	40,325	58,057
TOTAL NON-CURRENT LIABILITIES		3,142,995	1,671,392
TOTAL LIABILITIES		4,208,439	2,771,224
NET ASSETS		155,002,582	154,110,516
EQUITY			
Retained surplus		25,762,087	25,019,731
Reserves - cash backed	3	1,241,811	1,695,316
Revaluation surplus	12	127,998,683	127,395,469
TOTAL EQUITY		155,002,581	154,110,516

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



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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		24,744,457	1,292,569	107,196,581	133,233,607
Comprehensive Income Net Result		678,022	0	0	678,022
Other comprehensive income	12	0	0	20,198,888	20,198,888
Total comprehensive income		678,022	0	20,198,888	20,876,910
Transfer from(to) reserves		(402,747)	402,747	0	0
Balance as at 30 June 2018		25,019,731	1,695,316	127,395,469	154,110,516
Comprehensive Income Net Result		288,851	0	0	288,851
Other comprehensive income	12	0	0	603,214	603,214
Total comprehensive income		288,851	0	603,214	892,065
Transfer from(to) reserves		453,506	(453,506)	0	0
Balance as at 30 June 2019		25,762,087	1,241,811	127,998,683	155,002,581

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

SHIRE OF KONDININ
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	2,957,360	3,011,012	2,816,477
Operating grants, subsidies and contributions	3,072,018	1,668,261	2,478,439
Fees and charges	878,086	530,450	1,071,168
Service charges	0	0	0
Interest earnings	107,462	79,525	86,937
Goods and services tax received	612,099	700,215	379,615
Other revenue	750,573	401,473	954,215
	<u>8,377,598</u>	<u>6,390,935</u>	<u>7,786,851</u>
Payments			
Employee costs	(2,142,498)	(2,049,610)	(2,265,162)
Materials and contracts	(2,475,123)	(2,088,508)	(2,545,574)
Utility charges	(319,972)	(316,800)	(293,758)
Insurance expenses	(207,133)	(214,170)	(188,130)
Interest expenses	(125,589)	(111,195)	(86,014)
Goods and services tax paid	(649,612)	(698,603)	(369,631)
Other expenditure	(222,169)	(234,812)	(209,639)
	<u>(6,142,098)</u>	<u>(5,713,700)</u>	<u>(5,957,908)</u>
Net cash provided by (used in) operating activities	16 2,235,500	677,236	1,828,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	(2,066,834)	(1,897,938)	(1,956,022)
Payments for construction of infrastructure	(3,738,905)	(3,463,704)	(1,668,184)
Advances to community groups	0	0	(300,000)
Payments for other financial assets	(1,175,035)	0	0
Non-operating grants, subsidies and contributions	1,083,627	708,585	1,624,141
Proceeds from sale of plant & equipment	214,653	197,182	178,545
Net cash provided by (used in) investment activities	(5,682,493)	(4,455,874)	(2,121,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term borrowings	(149,830)	(148,175)	(106,853)
Proceeds from Self Supporting Loans	54,318	54,318	43,333
Proceeds from new long term borrowings	1,700,000	1,700,000	300,000
Net cash provided by (used in) financing activities	1,604,488	1,606,143	236,480
Net increase (decrease) in cash held	(1,842,506)	(2,172,495)	(56,098)
Cash at Beginning of Year	3,839,970	3,839,969	3,896,069
Reclassification of trust fund to restricted cash	27 18,600	0	0
Cash and cash equivalents at the end of the year	16 <u>2,016,064</u>	<u>1,667,474</u>	<u>3,839,970</u>

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

SHIRE OF KONDININ
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)	25(b)	1,673,835	1,675,247	2,193,330
Revenue from operating activities (excluding rates)				
Governance		42,920	9,161	177,367
General purpose funding		2,357,217	995,174	1,929,990
Law, order, public safety		19,505	11,000	17,279
Health		354,453	346,800	433,098
Education and welfare		0	0	0
Housing		56,255	50,000	49,582
Community amenities		147,971	106,800	116,985
Recreation and culture		43,089	46,522	43,932
Transport		542,208	446,312	111,139
Economic services		590,418	532,600	533,021
Other property and services		667,104	136,784	921,718
		4,821,138	2,681,153	4,334,109
Expenditure from operating activities				
Governance		(222,073)	(305,371)	(275,545)
General purpose funding		(171,525)	(163,774)	(158,775)
Law, order, public safety		(75,512)	(81,160)	(73,279)
Health		(508,685)	(590,643)	(511,076)
Education and welfare		(121,980)	(102,786)	(109,752)
Housing		(287,964)	(285,906)	(276,154)
Community amenities		(770,050)	(699,728)	(637,896)
Recreation and culture		(1,842,712)	(1,803,419)	(1,824,208)
Transport		(2,959,269)	(2,707,528)	(2,920,086)
Economic services		(917,678)	(967,095)	(862,891)
Other property and services		(514,018)	(76,996)	(713,553)
		(8,391,466)	(7,784,405)	(8,363,216)
Non-cash amounts excluded from operating activities	25(a)	2,963,179	2,767,863	2,714,412
Amount attributable to operating activities		1,066,686	(660,142)	878,635
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	843,627	708,585	1,864,141
Proceeds from disposal of fixed assets	11(a)	214,653	197,182	178,545
Purchase of property, plant and equipment	9(a)	(2,066,834)	(1,897,938)	(1,956,022)
Purchase and construction of infrastructure	10(a)	(3,738,905)	(3,463,704)	(1,668,184)
Amount attributable to investing activities		(4,747,459)	(4,455,875)	(1,581,520)
FINANCING ACTIVITIES				
Advances to community groups		0	0	(300,000)
Repayment of long term borrowings	14(b)	(149,830)	(148,175)	(106,853)
Proceeds from new long term borrowings	14(c)	1,700,000	1,700,000	300,000
Proceeds from self supporting loans	14(b)	54,318	54,318	43,333
Transfers to reserves (restricted assets)	4	(322,187)	(321,139)	(402,747)
Transfers from reserves (restricted assets)	4	775,693	820,000	0
Amount attributable to financing activities		2,057,994	2,105,005	(466,267)
Surplus/(deficit) before Imposition of general rates		(1,622,778)	(3,011,012)	(1,169,151)
Total amount raised from general rates	24(a)	3,027,127	3,011,012	2,842,985
Net current assets at 30 June c/fwd - surplus/(deficit)	25(b)	1,404,349	0	1,673,835

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

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

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) 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 any other sporting 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 affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the 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 27 to these financial statements.

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

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	0	0	3,250
General purpose funding	2,209,832	912,149	1,824,297
Law, order, public safety	12,831	9,800	10,097
Community amenities	136	0	0
Recreation and culture	0	0	1,850
Transport	541,241	446,312	108,364
Economic services	237,220	230,000	190,000
Other property and services	70,757	70,000	68,967
	<u>3,072,018</u>	<u>1,668,261</u>	<u>2,206,824</u>
Non-operating grants, subsidies and contributions			
Education and welfare	120,000	120,000	644,078
Recreation and culture	373,877	238,838	200,000
Transport	349,750	349,747	948,682
Economic services	0	0	71,381
	<u>843,627</u>	<u>708,585</u>	<u>1,864,141</u>
Total grants, subsidies and contributions	<u><u>3,915,645</u></u>	<u><u>2,376,846</u></u>	<u><u>4,070,965</u></u>

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 depended in a particular manner or used over a

Grants, donations and other contributions (Continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Significant revenue

During the year the Shire received a reimbursement in relation to flood damage to roads under the Western Australia National Disaster Relief and Recovery Arrangements (WANDRRA). This revenue item was included in "Operating grants, subsidies and contributions".

Other revenue

Reimbursements and recoveries
Other

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Significant revenue	245,430	245,430	110,525
Reimbursements and recoveries	346,898	359,973	466,117
Other	403,675	41,500	488,097
	<u>750,573</u>	<u>401,473</u>	<u>954,214</u>

Fees and Charges

Governance
General purpose funding
Law, order, public safety
Health
Education and welfare
Housing
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

	2,270	500	310
	38,122	1,500	16,526
	6,674	1,200	7,182
	49,456	40,300	48,606
	0	0	0
	53,498	50,000	47,743
	118,862	106,800	116,985
	18,108	16,050	19,468
	0	0	0
	318,014	277,600	313,514
	273,082	36,500	500,834
	<u>878,086</u>	<u>530,450</u>	<u>1,071,168</u>

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

Interest earnings

Reserve accounts interest
Other interest revenue (refer note 24(e))
Other interest earnings

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Reserve accounts interest	35,573	34,525	36,847
Other interest revenue (refer note 24(e))	24,118	15,000	19,186
Other interest earnings	47,771	30,000	30,904
	<u>107,462</u>	<u>79,525</u>	<u>86,937</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual \$	2019 Budget \$	2018 Actual \$
Significant expense			
During the year the Shire incurred materials and contracts expenditure to reinstate roads as a result of flood damage. This expenditure was subject to reimbursement from WANDRRA.	245,430	245,430	110,525
Auditors remuneration			
- Audit of the Annual Financial Report	29,250	24,000	9,794
- Other services (Acquittals)	900	1,000	900
	<u>30,150</u>	<u>25,000</u>	<u>10,694</u>
Interest expenses (finance costs)			
Long term borrowings (refer Note 14(b))	<u>138,226</u>	<u>111,195</u>	<u>85,627</u>
Rental charges			
- Operating leases	<u>138,784</u>	<u>145,000</u>	<u>138,573</u>

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		1,902,315	778,395
Term deposits		113,750	3,081,575
Total cash and cash equivalents		2,016,064	3,839,970
Other Financial assets at amortised cost - Term deposits	8(a)	1,175,035	0
Comprises:			
Unrestricted cash and cash equivalents and other financial assets at amortised cost		760,381	1,043,660
Restricted cash and cash equivalents and other financial assets at amortised cost		2,430,718	2,796,310
		3,191,099	3,839,970
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Plant Reserve	4	464,872	700,550
Housing Reserve	4	84,538	33,089
Leave Reserve	4	208,079	203,024
Tourism Development Reserve	4	113,750	79,248
Karlgarin Bowling Green Reserve	4	0	110,505
Community Bus Reserve	4	49,354	48,150
Radio & TV Reserve	4	24,214	23,624
Landfill Reserve	4	15,573	10,251
Kondinin Recreation Centre Reserve	4	0	311,560
Medical Services Reserve	4	76,021	74,119
Hyden Recreation Centre Reserve	4	205,409	101,197
		1,241,811	1,695,316
Other cash and cash equivalents and other financial assets at amortised cost			
Unspent grants/contributions (restricted)	23	1,170,308	1,100,994
		1,170,308	1,100,994
Bonds and deposits (restricted)	13	18,600	-
Total restricted cash and cash equivalents and other financial assets at amortised cost		2,430,718	2,796,310

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Closing Balance	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
(a) Leave Reserve	\$ 203,024	\$ 5,055	\$ 208,079	\$ 203,024	\$ 4,885	\$ 207,909	\$ 0	\$ 207,909	\$ 198,090	\$ 4,933	\$ 0	\$ 203,024
(b) Plant Reserve	700,550	114,322	464,872	700,550	115,140	465,690	(350,000)	465,690	584,771	115,779	0	700,550
(c) Housing Reserve	33,089	51,449	84,538	33,089	51,284	84,373	0	84,373	7,596	25,493	0	33,089
(d) Tourism Development Reserve	79,248	34,502	113,750	79,248	33,514	62,762	(50,000)	62,762	64,821	14,427	0	79,248
(e) Community Bus Reserve	48,150	1,204	49,354	48,150	1,175	49,325	0	49,325	48,980	1,170	0	48,150
(f) Radio & TV Reserve	23,624	591	24,214	23,624	560	24,184	0	24,184	23,050	574	0	23,624
(g) Karlgarin Bowling Green Reserve	110,505	391	110,896	110,505	2,580	110,000	(110,000)	110,000	107,410	3,086	0	110,505
(h) Landfill Reserve	10,251	5,322	15,573	10,251	5,400	15,651	0	15,651	5,064	5,187	0	10,251
(i) Kondinin Recreation Centre Reserve	311,560	3,237	314,797	311,560	3,630	310,000	(310,000)	310,000	254,787	56,773	0	311,560
(j) Medical Services Reserve	74,119	1,902	76,021	74,119	1,778	75,897	0	75,897	0	74,119	0	74,119
(k) Hyden Recreation Centre Reserve	101,197	104,212	205,409	101,197	101,192	202,389	0	202,389	0	101,197	0	101,197
	1,695,317	322,187	1,241,811	1,695,317	321,139	1,196,455	(820,000)	1,196,455	1,292,569	402,747	0	1,695,316

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) Leave Reserve	Ongoing	To be used to pay annual and long service leave liabilities.
(b) Plant Reserve	Ongoing	Future expenditure for replacement of plant.
(c) Housing Reserve	Ongoing	To be used for the construction of new housing.
(d) Tourism Development Reserve	Ongoing	To be used to ensure that the Wave Rock area is kept at a good standard.
(e) Community Bus Reserve	Ongoing	To be used for the replacement of the community bus.
(f) Radio & TV Reserve	Ongoing	To account for service charges raised.
(g) Karlgarin Bowling Green Reserve	2018/19	Expenditure for the replacement of bowling green.
(h) Landfill Reserve	Ongoing	To be used for the operational costs of Bendering landfill site.
(i) Kondinin Recreation Centre Reserve	2018/19	Expenditure for the construction of Kondinin Recreation Building Extension.
(j) Medical Services Reserve	Ongoing	To be used for the operational costs of Kondinin Medical Centre.
(k) Hyden Recreation Centre Reserve	Ongoing	To be used for the construction of Hyden Recreation Building Extension.

SHIRE OF KONDININ
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FOR THE YEAR ENDED 30TH JUNE 2019

5. TRADE RECEIVABLES

(a) Current

	2019 \$	2018 \$
Rates receivable	226,347	156,580
Sundry receivable	91,568	295,895
Allowance for impairment of receivables	(50,186)	(48,313)
GST receivable	50,375	62,260
	<u>318,105</u>	<u>466,422</u>

Movement of the allowance for impairment of receivables

Reconciliation of changes in the allowance for

impairment of receivables:

Balance at start of period	48,313	36,348
Doubtful debts expense	2,963	35,006
Amounts written off during the period	(1,090)	(23,040)
Balance at end of period	<u>50,186</u>	<u>48,313</u>

(b) Non-current

Pensioner's rates and ESL deferred

0	0
<u>0</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found on Note 26.

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

Current

Fuel and materials
Land held for resale - cost
Development costs

2019	2018
\$	\$
16,705	37,581
0	3,666
16,705	41,247

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 and 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.

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

7. OTHER ASSETS

	2019	2018
	\$	\$
Other current assets		
Prepayments	4,165	650
	4,165	650

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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8. OTHER FINANCIAL ASSETS

	2019 \$	2018 \$
(a) Current assets		
Other financial assets at amortised cost	1,227,312	0
Other loans and receivables	0	54,318
	<u>1,227,312</u>	<u>54,318</u>
Other financial assets at amortised cost		
Financial assets at amortised cost - term deposits	1,175,035	0
Financial assets at amortised cost - self supporting loans	52,277	0
	<u>1,227,312</u>	<u>0</u>
Financial assets previously classified as loans and receivables		
Loans receivable - clubs/institutions - Note 15(b)	0	54,318
	<u>0</u>	<u>54,318</u>
(b) Non-current assets		
Other financial assets at amortised cost	325,504	0
Financial assets at fair value through profit and loss	52,551	0
Available for sale financial assets	0	3,000
Other loans and receivables	0	377,780
	<u>378,055</u>	<u>380,780</u>
Other financial assets at amortised cost		
Financial assets at amortised cost - self supporting loans	325,504	0
	<u>325,504</u>	<u>0</u>
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	52,551	0
	<u>52,551</u>	<u>0</u>
Financial assets previously classified as available for sale financial assets		
Units in Local Government House Trust	0	3,000
	<u>0</u>	<u>3,000</u>
Financial assets previously classified as loans and receivables		
Loans receivable - clubs/institutions	0	377,780
	<u>0</u>	<u>377,780</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.

49,551 0

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 14(b) as self supporting loans.

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 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 26.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 29 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

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

9. 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	Total land	Buildings - specialised	Buildings - non-specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	1,013,000	450,000	1,463,000	5,446,711	12,059,677	17,506,388	18,969,388	367,331	1,995,397	21,332,116
Additions	1,709	0	1,709	251,456	1,105,754	1,357,210	1,358,919	45,111	551,992	1,956,022
(Disposals)	0	0	0	0	0	0	0	0	(179,135)	(179,135)
Depreciation (expense)	0	0	0	(184,774)	(456,352)	(641,126)	(641,126)	(53,239)	(335,427)	(1,029,792)
Transfers	15,750	0	15,750	504,664	(504,664)	0	15,750	11,492	0	27,242
Carrying amount at 30 June 2018	1,030,459	450,000	1,480,459	6,018,057	12,204,414	18,222,471	19,702,930	370,695	2,032,827	22,106,452
Comprises:										
Gross carrying amount at 30 June 2018	1,030,459	450,000	1,480,459	6,202,831	12,660,766	18,863,597	20,344,056	490,887	2,655,010	23,489,953
Accumulated depreciation at 30 June 2018	0	0	0	(184,774)	(456,352)	(641,126)	(641,126)	(120,191)	(622,183)	(1,383,500)
Accumulated impairment loss at 30 June 2018	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2018	1,030,459	450,000	1,480,459	6,018,057	12,204,414	18,222,471	19,702,930	370,695	2,032,827	22,106,452
Additions	0	0	0	66,896	1,325,792	1,392,688	1,392,688	5,500	668,646	2,066,834
(Disposals)	0	0	0	0	0	0	0	0	(242,844)	(242,844)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	(87,891)	691,105	603,214
Write-off	0	0	0	0	0	0	0	0	(11,576)	(11,576)
Depreciation (expense)	0	0	0	(201,784)	(505,642)	(707,426)	(707,426)	(59,464)	(382,558)	(1,149,448)
Carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	5,883,169	13,024,564	18,907,733	20,388,192	228,840	2,755,600	23,372,632
Comprises:										
Gross carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	6,269,727	13,986,558	20,256,285	21,736,744	230,878	2,783,604	24,751,226
Accumulated depreciation at 30 June 2019	0	0	0	(386,558)	(961,994)	(1,348,552)	(1,348,552)	(2,038)	(28,004)	(1,378,594)
Accumulated impairment loss at 30 June 2019	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	5,883,169	13,024,564	18,907,733	20,388,192	228,840	2,755,600	23,372,632

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique with restrictions	Basis of Valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Freehold land	3	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate taking into account public sector restrictions
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate taking into account public sector restrictions
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per square metre / market borrowing rate
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment					
- Independent valuation 2019	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2019	Market price per item
- Management valuation 2019	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs
Plant and equipment					
- Independent valuation 2019	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2019	Market price per item
- Management valuation 2019	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs

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

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

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

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks & ovals	Infrastructure - other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	103,154,222	310,887	460,856	434,116	5,477,030	109,837,113
Additions	1,474,894	78,053	0	24,833	90,404	1,668,184
Revaluation increments/ (decrements) transferred to revaluation surplus	19,721,447	33,728	(154,685)	(65,764)	664,161	20,198,888
Revaluation (loss)/ reversals transferred to profit or loss	0	0	0	0	0	0
Depreciation (expense)	(1,261,670)	(8,469)	(19,836)	(29,089)	(365,976)	(1,685,041)
Transfers	8,449	(60,199)	0	19,490	5,018	(27,241)
Carrying amount at 30 June 2018	123,097,343	354,000	286,335	383,586	5,870,637	129,991,901
Comprises:						
Gross carrying amount at 30 June 2018	123,097,343	354,000	286,335	383,586	5,870,637	129,991,901
Accumulated depreciation at 30 June 2018	0	0	0	0	0	0
Carrying amount at 30 June 2018	123,097,343	354,000	286,335	383,586	5,870,637	129,991,901
Additions	2,093,646	186,694	1,173,213	0	285,352	3,738,905
Depreciation (expense)	(1,455,722)	(12,716)	(11,841)	(25,852)	(346,694)	(1,852,824)
Carrying amount at 30 June 2019	123,735,267	527,978	1,447,707	357,734	5,809,296	131,877,982
Comprises:						
Gross carrying amount at 30 June 2019	125,190,988	540,694	1,459,548	383,586	6,155,990	133,730,806
Accumulated depreciation at 30 June 2019	(1,455,722)	(12,716)	(11,841)	(25,852)	(346,694)	(1,852,824)
Carrying amount at 30 June 2019	123,735,267	527,978	1,447,707	357,734	5,809,296	131,877,982

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

10. 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 valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Independent valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Independent valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Independent valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - other	3	Cost approach using depreciated replacement cost	Independent valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost 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 KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

11. 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment	242,844	214,652	10,000	(38,191)	214,210	197,182	1,445	(18,473)	179,135	178,543	14,968	(15,580)
	242,844	214,652	10,000	(38,191)	214,210	197,182	1,445	(18,473)	179,135	178,543	14,968	(15,580)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Governance				
Toyota Prado - OKN	47,557	45,909	0	(1,648)
Holden Trallblazer - OKN	40,000	33,289	0	(6,711)
Toyota Rav4 - KN04	29,334	21,818	0	(7,516)
Other Health				
Subaru Forester - KN52	19,541	18,182	0	(1,359)
Transport				
Holden Colorado - KN55	10,809	8,182	0	(2,627)
Nissan Navarra - KN55	9,955	5,455	0	(4,500)
1978 Low Loader	0	10,000	10,000	0
1999 John Deere Backhoe	10,000	3,182	0	(6,818)
Other property and services				
Toyota Prado - KN49	46,314	45,909	0	(405)
Subaru Forester - KN54	29,334	22,727	0	(6,607)
	242,844	214,653	10,000	(38,191)

(b) Fully depreciated assets In Use

The gross carrying amount of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.

	2019	2018
	\$	\$
Furniture and equipment	26,041	16,803
Plant and equipment	0	0
	26,041	16,803

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

	2019	2019	2018
(c) Depreciation	Actual	Budget	Actual
	\$	\$	\$
Buildings-non-specialised	201,784	187,216	184,774
Buildings-specialised	505,642	462,385	456,352
Furniture and equipment	59,464	53,200	53,239
Plant and equipment	382,558	344,512	335,427
Infrastructure - Roads	1,455,722	1,276,500	1,261,670
Infrastructure - Footpaths	12,716	8,550	8,469
Infrastructure - Drainage	11,841	19,850	19,836
Infrastructure - Parks and ovals	25,853	30,120	29,089
Infrastructure - Other	346,694	368,502	365,976
	<u>3,002,272</u>	<u>2,760,835</u>	<u>2,714,833</u>

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 period of the lease or the estimated useful life the improvements.

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
formalton	not depreciated
pavement	50 years
seal	
- bituminous seal	20 years
- asphalt surfaces	25 years
Gravel roads	
formalton pavement	not depreciated
gravel sheet	12 years
Formed roads (unsealed)	
formalton	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage - piping	100 years
Water supply piping and drainage systems	75 years
Parks and ovals	10 to 40 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:

- 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 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 carrying amount of the asset taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Closing Balance	2019 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Closing Balance	2018 Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	70,475	0	0	70,475	70,475	0	0	70,475	0	70,475
Revaluation surplus - Land - vested in and under the control of Council	450,000	0	0	450,000	450,000	0	0	450,000	0	450,000
Revaluation surplus - Buildings - non-specialised	44,260,828	0	0	44,260,828	44,260,828	0	0	44,260,828	0	44,260,828
Revaluation surplus - Buildings - specialised	576,739	0	0	576,739	576,739	0	0	576,739	0	576,739
Revaluation surplus - Furniture and equipment	128,335	23,540	(111,431)	40,444	128,335	0	0	128,335	0	128,335
Revaluation surplus - Plant and equipment	1,206,619	704,717	(13,612)	1,897,724	1,206,619	0	0	1,206,619	0	1,206,619
Revaluation surplus - Infrastructure - Roads	77,728,239	0	0	77,728,239	58,006,792	32,809,857	(13,088,410)	77,728,239	19,721,447	77,728,239
Revaluation surplus - Infrastructure - Footpaths	(2,476)	0	0	(2,476)	(36,204)	37,699	(3,971)	(2,476)	33,728	(2,476)
Revaluation surplus - Infrastructure - Drainage	(2,851)	0	0	(2,851)	151,834	0	(154,685)	(2,851)	(154,685)	(2,851)
Revaluation surplus - Infrastructure - Parks and Gardens	114,768	0	0	114,768	180,532	23,203	(88,967)	114,768	(65,764)	114,768
Revaluation surplus - Infrastructure - Other	2,864,792	0	0	2,864,792	2,200,631	2,026,861	(1,362,700)	2,864,792	664,161	2,864,792
	127,395,469	728,257	(125,043)	127,998,683	107,196,581	34,897,621	(14,698,733)	127,395,469	20,198,888	127,395,469

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

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

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ATO liabilities (PAYG Tax)
Accrued Expenses
Bonds and deposits

	2019	2018
	\$	\$
Sundry creditors	288,388	60,192
Accrued interest on long term borrowings	36,926	24,289
Accrued salaries and wages	55,294	54,832
ATO liabilities (PAYG Tax)	36,355	36,714
Accrued Expenses	39,077	434,231
Bonds and deposits	18,600	-
	<u>474,638</u>	<u>610,259</u>

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.

14. INFORMATION ON BORROWINGS

(b) Repayments - Borrowings

WA Treasury Corporation

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FOR THE YEAR ENDED 30TH JUNE 2019

14. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particular/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual \$	2019 Budget \$	2019 Actual \$	2019 Budget \$		
Townsite Drainage	WATC*	Debenture	20	3.68%	1,700,000	1,700,000	(1,700,000)	(1,700,000)	716,570	0
*WA Treasury Corporation					1,700,000	1,700,000	(1,700,000)	(1,700,000)	716,570	0

(d) Unspent Borrowings

NIL

NIL

(e) Undrawn Borrowing Facilities

	2019 \$	2018 \$
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Bank overdraft at balance date	0	0
Credit card limit	20,000	20,000
Credit card balance at balance date	(330)	(1,188)
Total amount of credit unused	269,670	268,812

Loan facilities

Loan facilities - current	181,531	120,695
Loan facilities - non-current	3,102,670	1,613,335
Total facilities in use at balance date	3,284,201	1,734,030

Unused loan facilities at balance date

NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and 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 26.

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

15. EMPLOYEE RELATED PROVISIONS

	2019 Actual \$	2018 Actual \$
Current		
<u>Employee benefits provisions</u>		
Annual leave	199,152	173,006
Long service leave	210,124	195,873
	<u>409,276</u>	<u>368,878</u>
Non-current		
<u>Employee benefits provisions</u>		
Long service leave	40,325	58,057
Total employee related provisions	<u>449,600</u>	<u>426,936</u>

(a) Annual leave liabilities: Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019 \$	2018 \$
Within 12 months of the end of the reporting period	119,491	103,803
More than 12 months after the end of the reporting period	79,661	69,203
	<u>199,152</u>	<u>173,006</u>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) Long service leave liabilities: Unconditional long service leave provisions are classified as current liabilities as the Shire does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Shire has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019 \$	2018 \$
Within 12 months of the end of the reporting period	91,531	62,046
More than 12 months after the end of the reporting period	158,917	191,884
	<u>250,448</u>	<u>253,930</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 event will occur to impact on these historical events.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

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

Provisions

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

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

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

16. 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	2,016,064	1,667,474	3,839,970
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	288,851	(1,383,654)	678,022
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(49,551)	0	0
Depreciation	3,002,272	2,750,835	2,714,833
(Profit)/loss on sale of asset	28,191	17,028	592
Assets written off	11,576	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	148,317	(18,212)	15,741
(Increase)/decrease in other assets	(3,515)	0	(650)
(Increase)/decrease in inventories	24,542	21,247	(21,942)
Increase/(decrease) in payables	(154,221)	(2,545)	65,338
Increase/(decrease) in provisions	22,665	1,122	1,149
Non-operating Grants and contributions for the development of assets	(1,083,627)	(708,585)	(1,624,141)
Net cash from operating activities	<u>2,235,500</u>	<u>677,236</u>	<u>1,828,942</u>

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

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	943,644	1,112,637
Law, order, public safety	451,982	465,194
Health	720,100	721,258
Education and welfare	1,677,739	1,721,957
Housing	3,379,518	3,410,039
Community amenities	737,568	773,406
Recreation and culture	14,525,317	13,594,292
Transport	126,108,959	124,194,131
Economic services	1,748,882	1,835,458
Other property and services	3,507,198	2,820,272
Unallocated	5,410,115	6,233,096
	<u>159,211,020</u>	<u>156,881,740</u>

18. CONTINGENT LIABILITIES

The Shire has no contingent liability as at reporting date.

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

19. CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	25,779	1,106,437
- plant & equipment purchases	0	0
Payable:		
- not later than one year	25,779	1,106,437

The capital expenditure outstanding at the end of the current reporting period represents the changeover of two admin vehicles (the prior year commitment was for the construction of the Kondinin Sports Club building extension).

(b) Operating Lease Commitments

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

Payable:		
- not later than one year	136,252	136,252
- later than one year but not later than five years	172,892	304,140
- later than five years	0	0
	309,144	440,392

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

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

20. RELATED PARTY TRANSACTIONS

(a) Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting Fees	27,790	26,280	27,290
President's allowance	12,000	12,000	12,000
Travelling expenses	8,847	6,000	6,039
	48,637	44,280	45,329

(b) Key Management Personnel (KMP) Compensation Disclosure

	2019 Actual	2018 Actual
	\$	\$
The total remuneration for KMP of the Shire during the year are as follows:		
Short-term employee benefits	552,791	667,861
Post-employment benefits	68,572	73,970
Other long-term benefits	77,834	26,761
	699,197	768,591

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 annual leave and long service benefits accruing during the year.

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

20. RELATED PARTY TRANSACTIONS (continued)

	2019 Actual	2018 Actual
(c) The following transactions occurred with related parties:	\$	\$
Sale of goods and services	0	0
Purchase of goods and services from kmp	5,505	6,245
Purchase of goods and services from close family member of kmp	7,551	11,340
Amounts outstanding from related parties:		
Trade and other receivables	0	0
Amounts payable to related parties:		
Trade and other payables	0	0

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.

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

21. JOINT ARRANGEMENTS

The Shire together with the Shires of Corrigin, Kulin, Narembeen and Lake Grace have a joint operation arrangement with regard to the provision of environmental health service. The joint-controlled assets are motor vehicles, Bendering Tip site (RoeROC) facility at Narembeen-Kondinin Road. The Bendering Tip site facility assets have been taken-up at valuation costs while the Shire's 23.08% share in motor vehicle is included in Property, Plant and Equipment is as follows:

	2019	2018
	\$	\$
Non-current assets		
Land	15,750	15,750
Less: accumulated depreciation	0	0
	<u>15,750</u>	<u>15,750</u>
 Light vehicle	 7,804	 15,326
Less: accumulated depreciation	<u>(1,951)</u>	<u>(7,522)</u>
	5,853	7,805
 Other Infrastructure - Independent valuation - 2018	 138,400	 138,400
Cost	0	0
Less: accumulated depreciation	<u>(10,763)</u>	<u>0</u>
	<u>127,637</u>	<u>138,400</u>

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's one-fourth interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

22. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2018/19 financial year.

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

23. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/2017	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/2019
	\$	\$	\$	\$	\$	\$	\$
Governance	0	3,250	(3,250)	0	-	0	0
Wage Subsidy							
General purpose funding	491,107	1,025,137	(995,343)	520,901	1,402,111	(1,213,354)	709,658
Grants Commission - General	412,512	799,160	(777,902)	433,770	807,721	(799,823)	441,668
Grants Commission - Roads							
Law, order, public safety	0	6,097	(6,097)	0	8,831	(8,831)	0
FESA - BFB	0	4,000	(4,000)	0	4,000	(4,000)	0
FESA - Subsidy							
Education and welfare	0	644,078	(644,078)	0	120,000	(120,000)	0
Yeerakine Lodge Extn Grant & Contrib							
Recreation and culture	3,066	0	(3,066)	0	0	0	0
Dept of Sport and Rec - S/Pool Fit-out	0	0	0	0	136	(136)	0
Swimming Pool Guard Subsidy	0	200,000	(107,767)	92,233	345,863	(438,096)	0
Kondinin Recreation Centre Grants	468	850	(1,318)	0	0	0	0
Kidsport Wheatbelt Grant	0	1,000	(1,000)	0	0	0	0
Thank A Volunteer Day Grant	0	0	0	0	4,508	(4,508)	0
Netball Courts Reseal	5,847	0	(5,847)	(0)	0	0	(0)
Culture & Arts Grant	0	0	0	0	23,506	(23,506)	0
Kargarin Bowling Gress Resurface							
Transport	0	103,745	(103,745)	0	180,789	(180,789)	0
MRWA - Direct	0	329,991	(329,991)	0	329,750	(329,750)	0
MRWA - Regional Road Group	15,596	618,691	(634,287)	0	0	0	0
Roads to Recovery	0	0	0	0	355,955	(355,955)	0
WANDRRA Contribution	0	0	0	0	20,000	(20,000)	0
Contribution - Capital Project	0	0	0	0	4,497	(4,497)	0
Street Lighting Subsidy	0	4,619	(4,619)	0	0	0	0
Economic services	0	5,000	(5,000)	0	0	0	0
Red Soil Riches Grant	0	185,000	(142,174)	42,826	230,000	(253,844)	18,982
Skeleton Weed Committee	0	71,381	(60,117)	11,264	0	(11,264)	(0)
Standpipe (DoW) Grant	0	0	0	0	7,220	(7,220)	0
Community Garden Grant	0	0	0	0	0	0	0
Other property and services	0	68,967	(68,967)	(0)	70,757	(70,757)	(0)
Diesel Fuel Subsidy							
Total	928,596	4,070,965	(3,898,567)	1,100,994	3,915,645	(3,846,330)	1,170,308

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

24. 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		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Budget Total Revenue	Actual Total Revenue	Actual Total Revenue	Actual Total Revenue	Actual Total Revenue	Actual Total Revenue	Actual Total Revenue
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental value valuations																			
GRV - Residential		0.119528	257	2,537,400	298,815	4,955	1,092	304,862	298,815	0	0	298,815	292,096						
GRV - Mining		0.238680	4	1,046,750	249,838	0	0	249,838	249,838	0	0	249,838	244,940						
Unimproved value valuations																			
UV - Mining		0.284552	78	2,523,972	718,627	4,717	0	723,344	715,148	0	0	715,148	638,285						
UV - Rural		0.015259	341	118,708,500	1,811,541	389	186	1,812,116	1,811,541	0	0	1,811,541	1,725,969						
Sub-Total			680	124,816,622	3,078,821	10,061	1,278	3,090,161	3,075,342	0	0	3,075,342	2,901,290						
Minimum payment		Minimum \$																	
Gross rental value valuations																			
GRV - Residential		435	44	43,750	19,140	0	0	19,140	19,140	0	0	19,140	19,575						
Unimproved value valuations																			
UV - Mining		435	29	23,439	7,830	0	0	7,830	7,830	0	0	7,830	8,700						
UV - Rural		435	22	425,500	9,570	0	0	8,700	8,700	0	0	8,700	8,700						
Sub-Total			95	492,689	36,540	0	0	35,670	35,670	0	0	35,670	36,975						
Discounts/concessions (refer note 24(d))								3,125,831				3,111,012	2,938,265						
Total amount raised from general rate								(130,695)				(130,000)	(125,793)						
Specified Area Rate (refer note 24(b))								2,995,136				2,981,012	2,812,472						
Ex Gratia Rate								0				0	0						
Totals								31,991				30,000	30,513						
								3,027,127				3,011,012	2,842,985						

SIGNIFICANT ACCOUNTING POLICIES

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

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

24. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire has not Imposed any specified area rate for 2018/2019.

(c) Service Charges

The Shire has not Imposed any service charges for 2018/2019.

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

Rates Discounts

Rate or Fee Discount Granted	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
General rates	5	130,570	129,875	125,793	Full payment made within 35 days of the date service appearing on the rate notice. Being a community sporting club and as declared by council
Rubbish charges - Kondinin Golf Club	50	125	125	123	
		<u>130,695</u>	<u>130,000</u>	<u>125,916</u>	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount	Budget	Actual
		%		\$
Kondinin Community Resource Centre	Concession	100	0	0
Kondinin Golf Club Inc	Concession	100	0	0
Kondinin Arts Centre	Concession	100	0	0
Hyden Pre-School Committee	Concession	100	0	0
Hyden Golf Club	Concession	100	0	0
Kondinin Country Club	Concession	100	0	0
Kondinin Tennis Club	Concession	100	0	0
Hyden Tennis Club	Concession	100	0	0
Hyden Resource and Telecentre	Concession	100	0	0
Kondinin Lions Club & Seniors Centre	Concession	100	0	0
Karlgarin Country Club	Concession	100	0	0
Kondinin Mens Shed	Concession	100	0	0
			<u>0</u>	<u>0</u>

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Unpaid Rates Interest Rate	Instalment Plan Interest Rate
		\$	%	%
Option One				
Single full payment	5/10/2018	0	10	5
Option Two				
First Instalment	5/10/2018	0	10	5
Second Instalment	5/12/2018	10	10	5
Third Instalment	4/02/2019	10	10	5
Fourth Instalment	8/04/2019	10	10	5
Option Three				
First Instalment	5/10/2018	0	10	5
Second Instalment	4/02/2019	10	10	5
		<u>2,019 Actual</u>	<u>2,019 Budget</u>	<u>2,018 Actual</u>
		\$	\$	\$
Interest on unpaid rates		20,898	12,000	15,445
Interest on instalment plan		3,220	3,000	3,741
Charges on instalment plan		1,800	2,000	2,585
		<u>25,918</u>	<u>17,000</u>	<u>21,771</u>

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

25. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19
		(30 June 2019)	(1 July 2018)
		Carried Forward)	Carried Forward)
Note			
		\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a)	(10,000)	(14,968)
Less: Fair value adjustments to financial assets at fair value	8(b)	(49,551)	0
Movement in employee benefit provisions (non-current)		(17,733)	(1,013)
Add: Loss on disposal of assets	11(a)	38,191	15,560
Add: Loss on revaluation of fixed assets		0	0
Add: Depreciation of assets	11(c)	3,002,272	2,714,833
Non cash amounts excluded from operating activities		2,963,179	2,714,412
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Surplus/(deficit) after imposition of general rates			
Less: Reserves - restricted cash	3	(1,241,811)	(1,695,316)
Less: Financial assets at amortised cost - self supporting loans	8(a)	(52,277)	(54,318)
Add: Current portion of long-term borrowings	14(a)	181,531	120,695
Total adjustments to net current assets		(1,112,557)	(1,628,940)
Net current assets used in the Rate Setting Statement			
Total current assets		3,582,351	4,402,607
Less: Total current liabilities		(1,065,445)	(1,099,832)
Less: Total adjustments to net current assets		(1,112,557)	(1,628,940)
Net current assets used in the Rate Setting Statement		1,404,349	1,673,835

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

26. 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	Cash and cash equivalents, and long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings and term deposits
Credit risk	Cash and cash equivalents, trade receivables, other financial assets	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 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	0.21%	2,016,064	2,012,213	0	3,851
Financial assets at amortised cost - term deposits	2.40%	1,175,035	1,175,035	0	0
2018					
Cash and cash equivalents	2.15%	3,839,970	3,836,119	0	3,851

There is no impact of movement in interest rates on profit and loss and equity due to none of the cash and cash equivalents and borrowings are on variable interest rate.

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 may be found at Note 14(b).

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. 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. Expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable and penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	1.00%	6.83%	53.41%	
Gross carrying amount	6,023	90,099	48,130	82,095	226,347
Loss allowance	0	898	3,289	43,843	48,030
01 July 2018					
Rates receivable					
Expected credit loss	1.17%	36.02%	74.20%	80.98%	
Gross carrying amount	76,969	40,167	25,209	14,234.55	156,580
Loss allowance	900	14,469	18,706	11,526.67	45,602

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%	8.54%	
Gross carrying amount*	57,103	9,230	0	25,235	91,568
Loss allowance	0	0	0	2,156	2,156
01 July 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	16.25%	
Gross carrying amount*	273,439	5,532	244	16,680	295,895
Loss allowance	0	0	0	2,711	2,711

*Excludes GST receivable from the ATO.

SHIRE OF KONDININ
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FOR THE YEAR ENDED 30TH JUNE 2019

26. 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 14(e).

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*	461,387	0	0	461,387	461,387
Borrowings	312,848	1,232,784	2,954,040	4,499,672	3,284,201
	<u>774,235</u>	<u>1,232,784</u>	<u>2,954,040</u>	<u>4,961,059</u>	<u>3,745,588</u>
2018					
Payables*	597,773	0	0	597,773	597,773
Borrowings	196,020	768,080	1,375,435	2,339,535	1,734,030
	<u>793,793</u>	<u>768,080</u>	<u>1,375,435</u>	<u>2,937,308</u>	<u>2,331,803</u>

*Excludes GST payable to ATO.

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27. TRUST FUNDS

In previous years bonds and deposits were held as trust monies. From this year, all bonds and deposits not required by legislation to be held in trust are included in restricted cash at Note 3 and shown as a current liability at Note 13.

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Staff Christmas Fund	11,840	25,110	(24,130)	(12,820)	0
Housing Bonds	4,576	512	(508)	(4,580)	0
Bonds	0	200	0	(200)	0
Miscellaneous Funds	1,000	0	0	(1,000)	0
BCITF Funds	0	452	(452)	0	0
Building Collection Fees	57	973	(1,029)	0	0
	17,473	27,246	(26,119)	(18,600)	0

28. EVENTS OCCURRING AFTER THE END OF REPORTING PERIOD

There were no events occurring after the end of the reporting period that require adjustments or disclosure to the financial report.

29. 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 material differences arising from adoption of the AASB9.

(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.

29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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 has designated the investment in Local Government House Trust as financial assets at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
Loans and receivables:				
Trade receivables	466,422	466,422	0	0
Other financial assets	54,318	54,318	0	0
Loans and advances	377,780	377,780	0	0
Available for sale financial assets	3,000	0	0	3,000
	901,520	898,520	0	3,000

(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. Upon adoption of AASB 9, the Shire recognised an additional impairment on the Shire's Trade receivables of \$1,873 which has been recognised in current year's profit and loss rather than surplus/(deficit) as at 1 July 2018 due to immateriality.

30. 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.

The Shire is in the process of assessing the financial impact of the new standard.

(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 AASB 16, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In applying the AASB 16 under the specific transition provision 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.

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. The 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 leases' incremental borrowing rate as on 1 July 2019.

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 Shire is in the process of assessing the financial impact of the new standard.

(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 period shall not be restated in accordance with AASB 1058 transition requirements.

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 rate will be recognised as a financial asset and a related amount recognised as 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.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

The Shire is in the process of assessing the financial impact of the new standard.

31. 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.

32. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

ACTIVITIES

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific local government services.

GENERAL PURPOSE FUNDING

To collect revenue to allow the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide operational framework for environmental and community health.

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.

EDUCATION AND WELFARE

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

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged aged care centre. Provision and maintenance of home care programs and youth services.

HOUSING

To provide and maintain staff housing.

Provision and maintenance of staff accommodation.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

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

Maintenance of public halls, civic centres, aquatic centres, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.

TRANSPORT

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

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, airstrips, lighting of streets, etc.

ECONOMIC SERVICES

To help promote the local government and its economic well being.

Tourism and area promotion, building control, maintenance and operation of caravan park. Provision of rural services including weed control, vermin control and standpipes. Licensing transactions under contract with the Department of Transport.

OTHER PROPERTY AND SERVICES

To monitor and control operating accounts.

Private works operation, plant repair and costs.

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

33. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	2.69	1.79	2.73
Asset consumption ratio	0.98	0.99	0.97
Asset renewal funding ratio	0.99	N/A	0.93
Asset sustainability ratio	1.93	1.33	1.34
Debt service cover ratio	8.79	8.39	9.94
Operating surplus ratio	(0.13)	(0.24)	0.06
Own source revenue coverage ratio	0.56	0.59	0.59

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Kondinin

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Kondinin 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 Kondinin:

- (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) 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 52% 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. We also noted 5% of the purchase orders were dated after the dates of the corresponding supplier invoices. This practice increases the risk of fraud or favouritism of suppliers and not obtaining value for money.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.

- (iv) 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 33 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 Kondinin 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
16 December 2019