

# SHIRE OF KONDININ

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

### TABLE OF CONTENTS

Certification of Financial Report	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Rate Setting Statement	7
Index of Notes to the Financial Report	8
Independent Audit Report	51

The Shire of Kondinin conducts the operations of a local government with the following community vision.

The Shire of Kondinin is dedicated to provide the community services and facilities to meet the needs of the community members and enable them to enjoy a pleasant and healthy way of life.

Principal Place of Business:  
Gordon Street  
KONDININ WA 6367

SHIRE OF KONDININ

FINANCIAL REPORT

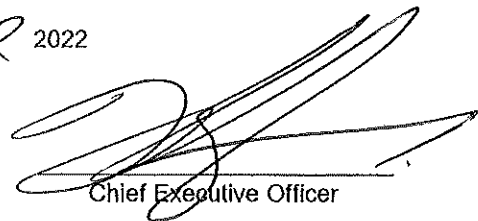
FOR THE YEAR ENDED 30 JUNE 2022

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 2022 is based on proper accounts and records to present fairly the financial position of the Shire of Kondinin at 30 June 2022 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 *14<sup>th</sup>* day of *NOVEMBER* 2022



Chief Executive Officer

*DAVID N. BURTON*  
Name of Chief Executive Officer



**SHIRE OF KONDININ**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
<b>Revenue</b>				
Rates	26(a)	3,367,662	3,335,383	3,217,782
Operating grants, subsidies and contributions		3,512,955	1,260,744	2,690,150
Fees and charges	25(c)	605,413	544,800	937,284
Interest earnings	2(a)	36,904	25,680	45,487
Other revenue		445,429	385,573	1,564,170
		<u>7,968,362</u>	<u>5,552,180</u>	<u>8,454,873</u>
<b>Expenses</b>				
Employee costs		( 2,056,105)	(1,887,182)	( 2,191,544)
Materials and contracts		( 1,620,657)	(2,210,613)	( 2,284,744)
Utility charges		( 281,805)	(333,850)	( 314,445)
Depreciation	10(a)	( 3,266,878)	(3,232,935)	( 3,220,207)
Finance costs	2(b)	( 133,128)	(177,324)	( 144,005)
Insurance		( 242,781)	(240,290)	( 226,974)
Other expenditure	2(b)	( 208,758)	(313,205)	( 272,658)
		<u>( 7,810,112)</u>	<u>(8,395,399)</u>	<u>(8,654,577)</u>
		158,250	(2,843,219)	(199,705)
Non-operating grants, subsidies and contributions		3,398,804	7,048,465	2,090,663
Profit on asset disposals	10(c)	123,619	9,488	12,831
Loss on asset disposal	10(c)	( 33,581)	(31,739)	( 47,478)
Share of result in associate	21	( 4,250)		( 2,368)
Fair value adjustments to financial assets at fair value through profit or loss		2,998	0	1,939
		<u>3,487,590</u>	<u>7,026,214</u>	<u>2,055,586</u>
<b>Net Result for the period</b>	25(b)	<b>3,645,840</b>	<b>4,182,995</b>	<b>1,855,881</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified subsequent to profit or loss</i>				
Share of changes in asset revaluation surplus in associate		0	0	(132,656)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(132,656)</b>
<b>Total comprehensive income for the period</b>		<b><u>3,645,840</u></b>	<b><u>4,182,995</u></b>	<b><u>1,723,225</u></b>

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



SHIRE OF KONDININ  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022

	NOTE	2022	2021
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	7,136,946	5,445,996
Trade and other receivables	5	314,167	850,125
Other financial assets	4(a)	58,180	131,733
Inventories	6	22,213	21,510
Other assets	7	93,304	7,636
<b>TOTAL CURRENT ASSETS</b>		<b>7,624,810</b>	<b>6,457,000</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	1,636	13,629
Other financial assets	4(b)	215,363	270,545
Investment in associate	21(a)	48,097	41,850
Property, plant and equipment	8(a)	26,917,233	26,805,842
Right of use assets	11(a)	0	34,774
Infrastructure	9(a)	133,970,729	131,693,442
<b>TOTAL NON-CURRENT ASSETS</b>		<b>161,153,058</b>	<b>158,860,083</b>
<b>TOTAL ASSETS</b>		<b>168,777,868</b>	<b>165,317,083</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	557,152	639,669
Other liabilities	13	503,262	451,924
Lease liabilities	28(d)	0	36,513
Borrowings	14	204,187	196,328
Employee related provisions	15	418,002	363,067
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,682,603</b>	<b>1,687,502</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14	2,513,375	2,717,562
Employee related provisions	15	68,904	44,871
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,582,279</b>	<b>2,762,434</b>
<b>TOTAL LIABILITIES</b>		<b>4,264,882</b>	<b>4,449,937</b>
<b>NET ASSETS</b>		<b>164,512,986</b>	<b>160,867,145</b>
<b>EQUITY</b>			
Retained surplus		29,526,446	26,905,217
Reserves accounts	29	2,771,992	1,747,380
Revaluation surplus	16	132,214,548	132,214,548
<b>TOTAL EQUITY</b>		<b>164,512,986</b>	<b>160,867,145</b>

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



SHIRE OF KONDININ  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2020</b>		25,238,566	1,558,151	132,347,204	159,143,921
Comprehensive income for the period					
Net Result for the period		1,855,881	0	0	1,855,881
Other comprehensive income for the period		0	0	(132,656)	(132,656)
Total comprehensive income for the period		1,855,881	0	(132,656)	1,723,225
Transfer from reserves	29	309,942	(309,942)	0	0
Transfer to reserves	29	(499,172)	499,172	0	0
<b>Balance as at 30 June 2021</b>		26,905,217	1,747,380	132,214,548	160,867,146
Comprehensive Income					
Net Result for the period		3,645,840	0	0	3,645,840
Other comprehensive income for the period		0	0	0	0
Total comprehensive income		3,645,840	0	0	3,645,840
Transfer from reserves	29	30,000	(30,000)	0	0
Transfer to reserves	29	(1,054,611)	1,054,611	0	0
<b>Balance as at 30 June 2022</b>		29,526,446	2,771,992	132,214,548	164,512,986

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

**SHIRE OF KONDININ**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2022	2021
NOTE	Actual	Budget	Actual
	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates	3,374,310	3,335,383	3,240,693
Operating grants, subsidies and contributions	3,512,955	1,260,744	2,690,150
Fees and charges	1,208,652	544,800	407,571
Service charges	0	0	0
Interest received	36,904	25,680	45,487
Goods and services tax received	720,823	1,955,151	545,481
Other revenue	448,427	385,573	1,572,847
	<u>9,302,071</u>	<u>7,507,331</u>	<u>8,502,228</u>
<b>Payments</b>			
Employee costs	(1,969,402)	(2,137,182)	(2,154,746)
Materials and contracts	(1,811,370)	(2,413,716)	(2,377,804)
Utility charges	(281,805)	(333,850)	(314,445)
Finance costs	(135,303)	(240,290)	(146,157)
Insurance paid	(242,781)	(177,324)	(226,974)
Goods and services tax paid	(759,775)	(1,505,151)	(327,404)
Other expenditure	(177,636)	(313,205)	(255,044)
	<u>(5,378,072)</u>	<u>(7,120,718)</u>	<u>(5,802,574)</u>
<b>Net cash provided by (used in) operating activities</b>	17(b) <u>3,923,999</u>	<u>386,610</u>	<u>2,699,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property, plant & equipment	8(a) (1,736,143)	(7,317,170)	(1,458,858)
Payments for construction of infrastructure	9(a) (4,263,232)	(4,255,503)	(1,899,156)
Non-operating grants, subsidies and contributions	3,398,804	7,048,465	2,090,663
Proceeds for financial assets at amortised cost - term deposits	4(a) 75,593	0	(75,593)
Proceeds for financial assets at amortised cost - self supporting loans	28(a) 56,140	56,140	54,173
Proceeds from sale of plant & equipment	10(c) 468,630	318,000	257,864
<b>Net cash provided by (used in) investment activities</b>	<u>(2,000,208)</u>	<u>(4,150,068)</u>	<u>(1,030,908)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings	28(a) (196,328)	(221,247)	(188,780)
Payments for principal portion of lease liabilities	28(d) (36,513)	(36,513)	(134,080)
Proceeds from new borrowings	28(a) 0	1,352,306	0
<b>Net cash provided by (used in) financing activities</b>	<u>(232,841)</u>	<u>1,094,546</u>	<u>(322,860)</u>
<b>Net increase (decrease) in cash held</b>	1,690,950	(2,668,912)	1,345,889
Cash at Beginning of Year	<u>5,445,996</u>	<u>5,503,975</u>	<u>4,100,108</u>
<b>Cash and cash equivalents at the end of the year</b>	17(a) <u><u>7,136,946</u></u>	<u><u>2,835,064</u></u>	<u><u>5,445,996</u></u>

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

SHIRE OF KONDININ  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
<b>NET CURRENT ASSETS - At start of financial year - surplus/(deficit)</b>	27(b)	3,198,819	3,217,380	1,647,080
<b>OPERATING ACTIVITIES</b>				
<b>Revenue from operating activities (excluding rates)</b>				
Operating grants, subsidies and contributions		3,512,955	1,260,744	2,690,150
Fees and charges		605,413	544,800	937,284
Interest earnings		36,904	25,680	45,487
Other revenue		445,429	385,573	1,557,271
Profit on asset disposals		123,619	9,488	12,831
Fair value adjustments to financial assets at fair value through profit or loss		2,998	0	1,939
		<u>4,727,317</u>	<u>2,226,284</u>	<u>5,244,964</u>
<b>Expenditure from operating activities</b>				
Employee costs		( 2,056,105)	(1,887,182)	( 2,191,544)
Materials and contracts		( 1,620,657)	(2,210,613)	( 2,280,215)
Utility charges		( 281,805)	(333,850)	( 314,445)
Depreciation		( 3,266,878)	(3,232,935)	( 3,220,207)
Finance costs		( 133,128)	(177,324)	( 144,005)
Insurance		( 242,781)	(240,290)	( 226,974)
Other expenditure		( 213,008)	(313,207)	( 272,658)
Loss on asset disposals		( 33,581)	(31,739)	( 47,478)
		<u>(7,847,943)</u>	<u>(8,427,137)</u>	<u>(8,697,526)</u>
Non-cash amounts excluded from operating activities	27(a)	3,203,621	3,255,186	3,253,925
<b>Amount attributable to operating activities</b>		<u>3,281,814</u>	<u>271,712</u>	<u>1,448,443</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		3,398,804	7,048,465	2,090,663
Proceeds from disposal of assets	10(c)	468,630	318,002	257,864
Proceeds for financial assets at amortised cost - self supporting loans	28(a)	56,140	56,140	54,173
Purchase of property, plant and equipment	8(a)	(1,736,143)	(7,317,170)	(1,458,858)
Purchase and construction of infrastructure	9(a)	(4,263,232)	(4,255,503)	(1,899,156)
<b>Amount attributable to investing activities</b>		<u>(2,075,801)</u>	<u>(4,150,067)</u>	<u>(955,314)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	28(a)	(196,328)	(221,246)	(188,780)
Proceeds from borrowings	28(a)	0	1,352,306	0
Payments for principal portion of lease liabilities	28(b)	( 36,513)	( 36,513)	( 134,080)
Transfers to reserves (restricted assets)	29	(1,054,611)	(801,572)	(499,172)
Transfers from reserves (restricted assets)	29	30,000	250,000	309,942
<b>Amount attributable to financing activities</b>		<u>(1,257,452)</u>	<u>542,975</u>	<u>(512,089)</u>
<b>Surplus/(deficit) before imposition of general rates</b>		<u>(51,439)</u>	<u>(3,335,383)</u>	<u>(18,961)</u>
<b>Total amount raised from general rates</b>	26(a)	3,367,662	3,335,383	3,217,782
<b>Surplus/(deficit) after imposition of general rates</b>	27(b)	<u>3,316,224</u>	<u>0</u>	<u>3,198,819</u>

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

**SHIRE OF KONDININ**  
**FOR THE YEAR ENDED 30 JUNE 2022**  
**INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Other Assets	15
Note 8	Property, Plant and Equipment	16
Note 9	Infrastructure	18
Note 10	Fixed Assets	20
Note 11	Leases	23
Note 12	Trade and Other Payables	24
Note 13	Other Liabilities	25
Note 14	Borrowings	26
Note 15	Employee Related Provisions	27
Note 16	Revaluation Surplus	28
Note 17	Notes to the Statement of Cash Flows	29
Note 18	Contingent Liabilities	30
Note 19	Capital Commitments	30
Note 20	Related Party Transactions	31
Note 21	Investment in Associates	34
Note 22	Financial Risk Management	35
Note 23	Events occurring after the end of the Reporting Period	39
Note 24	Other Significant Accounting Policies	40
Note 25	Function and Activity	41
<b>Information required by legislation</b>		
Note 26	Rating Information	44
Note 27	Rate Setting Statement Information	46
Note 28	Borrowing and Lease Liabilities	47
Note 29	Reserve accounts	49
Note 30	Trust Funds	50
Note 31	Major Land Transactions	50



## 1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

### **Local Government Act 1995 requirements**

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost. 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 financial 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.

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Operating grants, subsidies and contributions with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - sale of stock	Fuel, sand and gravel	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Output method based on goods sold
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	Output method based on works done

Consideration from contracts with customers is included in the transaction price.

Revenue from contracts with customers was recognised during the year for the following nature or types of goods or services:

	2022 Actual \$	2021 Actual \$
Operating grants, subsidies and contributions	3,512,955	2,690,150
Fees and charges	605,413	937,284
Other revenue	445,429	1,564,170
Total revenue from contracts with customers recognised during the year	4,563,797	5,191,604

#### Capital grant/contributions

Revenue from capital grant/contributions recognised as non-operating grants/contributions and reimbursements

3,398,804	2,090,663
-----------	-----------

#### Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or type classifications:

General rates	3,367,662	3,217,782
Statutory permits and licenses	605,413	937,084
Fines	0	200
	3,973,075	4,155,066

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	Note	2022 Actual	2022 Budget	2021 Actual
<b>Interest earnings</b>				
Interest on reserve funds		7,719	4,680	10,782
Rates instalment and penalty interest (refer Note 26(e))		24,963	13,000	26,519
Other interest earnings		4,222	8,000	8,186
		36,904	25,680	45,487
<b>(b) Expenses</b>				
<b>Auditors remuneration</b>				
- Audit of the Annual Financial Report		33,100	33,000	29,800
- Other services (Acquittals)		2,000	2,000	900
		35,100	35,000	30,700
<b>Finance costs</b>				
Borrowings	28(a)	133,001	177,197	141,832
Lease liabilities	28(d)	127	127	2,173
		133,128	177,324	144,005
<b>Other expenditure</b>				
Impairment loss on rates receivables		(64,404)	0	46,730
Sundry expenses		273,162	313,205	225,928
		208,758	313,205	272,658

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2022 \$	2021 \$
Cash at bank and on hand		2,318,895	2,725,665
Term deposits		4,818,051	2,720,331
<b>Total cash and cash equivalents</b>	<b>17</b>	<b>7,136,946</b>	<b>5,445,996</b>
Held as			
- Unrestricted cash and cash equivalents		3,838,312	3,229,078
- Restricted cash and cash equivalents	17	3,298,634	2,216,918
		7,136,946	5,445,996
Restrictions			
The restricted cash and cash equivalents are a result of the following specific purposes to which the assets may be used:			
- Reserves - cash asset backed		2,771,992	1,747,380
- Other liabilities		503,262	451,924
- Bonds and deposits		23,380	17,614
		3,298,634	2,216,918

#### 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 and which are subject to an insignificant risk of changes in value.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

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

##### Restricted Financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

Details of restrictions on financial assets can be found at Note 18.

### 4. OTHER FINANCIAL ASSETS

#### (a) Current assets

		2022 \$	2021 \$
Financial assets at amortised cost		58,180	131,733
		58,180	131,733
<b>Other financial assets at amortised cost</b>			
Self supporting loans receivable	28(a)	58,180	56,140
Term deposits		0	75,593
		58,180	131,733
Held as			
- Unrestricted other financial assets at amortised cost		58,180	56,140
- Restricted other financial assets at amortised cost		0	75,593
		58,180	131,733

#### (b) Non-current assets

Financial assets at amortised cost	28(a)	157,010	215,191
Financial assets at fair value through profit and loss		58,353	55,355
		215,363	270,545
<b>Financial assets at amortised cost</b>			
Self supporting loans receivable		157,010	215,191
Term deposits		0	0
		157,010	215,191
<b>Financial assets at fair value through profit and loss</b>			
Units in Local Government House Trust		58,353	55,355
		58,353	55,355

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 28(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

#### 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.

Fair value of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 24(i)) due to observable market rates.

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

##### 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 24.

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

5. TRADE AND OTHER RECEIVABLES

	2022	2021
	\$	\$
<b>Current</b>		
Rates receivable	194,820	201,468
Trade and other receivables	103,959	707,197
GST receivable	67,380	57,857
Allowance for credit losses of trade and other receivables	(7,650)	(7,648)
Allowance for credit losses of rates receivables	(44,343)	(108,749)
	<b>314,167</b>	<b>850,125</b>
<b>Non-current</b>		
Pensioner's rates and ESL deferred	1,636	13,629
	<b>1,636</b>	<b>13,629</b>

**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 and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

**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 22.

**Classification and subsequent measurement**

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period 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 30 JUNE 2022

6. INVENTORIES

	2022	2021
	\$	\$
<b>Current</b>		
Fuel and materials	22,213	21,510
	<u>22,213</u>	<u>21,510</u>

The following movements in inventories occurred during the year:

Balance at beginning of year	21,510	13,490
Additions to inventory	358,619	262,446
Inventories expensed during the year	(357,916)	(254,426)
Balance at end of year	<u>22,213</u>	<u>21,510</u>

**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 30 JUNE 2022

7. OTHER ASSETS

**Other assets - current**

Prepayments	
Accrued income	
Contract assets	
Allowance for impairment of contract assets	

2022	2021
\$	\$
513	707
0	6,929
92,791	0
0	0
<b>93,304</b>	<b>7,636</b>

**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.

**Non-current assets held for sale**

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

**Contract assets**

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at the end of the period.

Impairment of associated with contracts with customers are detailed in note 2 (b).

**Non-current assets held for sale (Continued)**

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 24(i).

SHIRE OF KONDINIIN  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

**8. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Carrying Amounts**

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

	Land \$	Buildings - non- specialised \$	Buildings - specialised \$	Total land and buildings \$	Furniture and equipment \$	Plant and equipment \$	Total property, plant and equipment \$
<b>Balance at 1 July 2020</b>	898,109	6,675,662	16,365,715	23,939,485	246,647	2,664,714	26,850,846
Additions	7,400	0	893,258	900,658	27,156	531,044	1,458,858
(Disposals)	0	0	0	0	0	(292,510)	(292,510)
Adjustment for expenditure transferred to investment in associate	(60,000)	0	0	(60,000)	0	0	(60,000)
Depreciation (expense)	0	(209,925)	(524,118)	(734,043)	(34,135)	(383,174)	(1,151,352)
<b>Carrying amount at 30 June 2021</b>	<b>845,509</b>	<b>6,465,737</b>	<b>16,734,856</b>	<b>24,046,100</b>	<b>239,668</b>	<b>2,520,074</b>	<b>26,805,842</b>
<b>Comprises:</b>							
Gross carrying amount at 30 June 2021	845,509	6,675,662	17,258,973	24,780,143	301,312	3,272,532	28,353,987
Accumulated depreciation at 30 June 2021	0	(209,925)	(524,118)	(734,043)	(61,644)	(752,458)	(1,548,145)
<b>Carrying amount at 30 June 2021</b>	<b>845,509</b>	<b>6,465,737</b>	<b>16,734,856</b>	<b>24,046,100</b>	<b>239,667</b>	<b>2,520,074</b>	<b>26,805,842</b>
Additions	26,111	112,363	451,668	590,142	42,473	1,138,302	1,770,917
(Disposals)	0	0	0	0	(31,726)	(346,867)	(378,593)
Depreciation (expense)	0	(258,777)	(517,249)	(776,026)	(35,605)	(469,302)	(1,280,933)
<b>Carrying amount at 30 June 2022</b>	<b>871,620</b>	<b>6,319,323</b>	<b>16,669,275</b>	<b>23,860,217</b>	<b>214,810</b>	<b>2,842,207</b>	<b>26,917,233</b>
<b>Comprises:</b>							
Gross carrying amount at 30 June 2022	871,620	6,788,025	17,710,641	25,370,286	294,629	3,736,946	29,401,861
Accumulated depreciation at 30 June 2022	0	(468,702)	(1,041,367)	(1,510,069)	(79,819)	(894,740)	(2,484,628)
<b>Carrying amount at 30 June 2022</b>	<b>871,620</b>	<b>6,319,323</b>	<b>16,669,274</b>	<b>23,860,217</b>	<b>214,810</b>	<b>2,842,207</b>	<b>26,917,233</b>



SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs used
<b>(i) Fair Value</b>					
<b>Land and buildings</b>					
Freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2020	Price per hectare / market borrowing rate
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2020	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 2020	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 property, plant and equipment using either level 2 or level 3 inputs.

**(ii) Cost**

**Furniture and equipment**

N/A

Cost

N/A

**Plant and equipment**

N/A

Cost

N/A

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks & ovals	Infrastructure - other	Total Infrastructure
<b>Balance at 1 July 2020</b>	\$ 123,830,624	\$ 639,847	\$ 1,420,731	\$ 393,956	\$ 5,560,615	\$ 131,845,773
Additions	1,262,116	244,112	0	172,588	220,340	1,899,156
Adjustment for share of assets transferred to investment in associate	0	0	0	0	(116,874)	(116,874)
Depreciation (expense)	(1,497,618)	(22,274)	(26,976)	(27,828)	(359,917)	(1,934,613)
<b>Carrying amount at 30 June 2021</b>	<b>123,595,121</b>	<b>861,684</b>	<b>1,393,755</b>	<b>538,716</b>	<b>5,304,164</b>	<b>131,693,442</b>
<b>Comprises:</b>						
Gross carrying amount at 30 June 2021	128,029,706	915,226	1,459,548	614,248	6,377,361	137,396,090
Accumulated depreciation at 30 June 2021	(4,434,585)	(53,542)	(65,792)	(75,532)	(1,073,197)	(5,702,648)
<b>Carrying amount at 30 June 2021</b>	<b>123,595,121</b>	<b>861,684</b>	<b>1,393,755</b>	<b>538,716</b>	<b>5,304,164</b>	<b>131,693,442</b>
Additions	3,508,838	226,018	0	143,892	384,483	4,263,232
Depreciation (expense)	(1,515,042)	(32,949)	(26,976)	(38,179)	(372,799)	(1,985,945)
<b>Carrying amount at 30 June 2022</b>	<b>125,588,917</b>	<b>1,054,753</b>	<b>1,366,779</b>	<b>644,429</b>	<b>5,315,849</b>	<b>133,970,729</b>
<b>Comprises:</b>						
Gross carrying amount at 30 June 2022	131,538,544	1,141,244	1,459,548	758,140	6,761,844	141,659,322
Accumulated depreciation at 30 June 2022	(5,949,627)	(86,491)	(92,768)	(113,711)	(1,445,996)	(7,688,593)
<b>Carrying amount at 30 June 2022</b>	<b>125,588,917</b>	<b>1,054,753</b>	<b>1,366,780</b>	<b>644,429</b>	<b>5,315,849</b>	<b>133,970,729</b>

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

(i) Fair Value	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.

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

10. FIXED ASSETS

(a) Depreciation	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Buildings-non-specialised		258,777	177,478	209,925
Buildings-specialised		517,249	579,387	524,118
Furniture and equipment		35,605	67,452	34,135
Plant and equipment		434,529	380,113	383,174
Infrastructure - Roads		1,515,042	1,568,121	1,497,618
Infrastructure - Footpaths		32,949	13,145	22,274
Infrastructure - Drainage		26,976	12,260	26,976
Infrastructure - Parks and ovals		38,874	28,075	27,828
Infrastructure - Other		372,104	372,130	359,918
Right of use assets (refer Note 11(a))		34,774	34,774	134,241
		<b>3,266,878</b>	<b>3,232,935</b>	<b>3,220,207</b>

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	
formation	not depreciated
pavement	50 years
seal	
- bituminous seal	20 years
- asphalt surfaces	25 years
Gravel roads	
formation pavement	not depreciated
gravel sheet	12 years
Formed roads (unsealed)	
formation	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
Right of use (plant and equipment)	Based on the remaining lease term

(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:

	2022 \$	2021 \$
Furniture and equipment	26,041	26,041
Plant and equipment	0	0
	<b>26,041</b>	<b>26,041</b>

10. FIXED ASSETS (Continued)

(c) Disposals of Assets

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss	2022 Budget Net Book Value	2022 Budget Sale Proceeds	2022 Budget Profit	2022 Budget Loss	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Furniture and Equipment	31,725	627	0	(190)	0	0	0	0	0	0	0	0
Plant and Equipment	346,868	468,003	123,619	(33,391)	340,253	318,000	9,488	(31,739)	292,510	257,864	12,831	(47,478)
	<u>378,593</u>	<u>468,630</u>	<u>123,619</u>	<u>(33,581)</u>	<u>340,253</u>	<u>318,000</u>	<u>9,488</u>	<u>(31,739)</u>	<u>292,510</u>	<u>257,864</u>	<u>12,831</u>	<u>(47,478)</u>

The following assets were disposed of during the year.

	2022 Actual Net Book Value	2022 Actual Sale Proceeds	2022 Actual Profit	2022 Actual Loss
<b>Furniture and Equipment</b>				
<b>Governance</b>				
Laptop Computer	817	627	0	(190)
<b>Other Health</b>				
Aircon Unit (faulty) replaced	30,908	0	0	(30,908)
<b>Plant and Equipment</b>				
<b>Governance</b>				
Toyota Prado - OKN	42,579	56,364	13,784	0
Subaru Outback - KN04	23,132	26,364	3,232	0
Subaru Outback - KN54	7,029	26,364	19,334	0
<b>Other Health</b>				
Subaru Forester - KN52	22,273	33,549	11,276	0
<b>Parks and Gardens</b>				
Panther 1800 Flail Mower	1,771	6,818	5,048	0
Reel Master 6700D Mower	14,165	11,682	0	(2,483)
<b>Transport</b>				
Toyota Hilux - KN51	11,759	20,000	8,241	0
Toyota Hilux - KN56	10,120	20,000	9,880	0
Bitumen Sprayer	0	800	800	0
Free Roll	9,827	15,000	5,173	0
Volvo L90F Loader - KN67	94,049	95,000	951	0
Dynapac Roller - KN78	66,219	99,700	33,481	0
<b>Other property and services</b>				
Toyota Prado - KN49	43,944	56,364	12,420	0
	<u>378,593</u>	<u>468,630</u>	<u>123,619</u>	<u>(33,581)</u>

## 10. FIXED ASSETS (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

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

#### Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

#### Initial recognition and measurement between mandatory revaluation dates for assets held at fair 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)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City 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 that are land, buildings, infrastructure and investment properties 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 land, buildings and infrastructure properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

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 land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

#### Revaluation (continued)

For property, plant and equipment and infrastructure, 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. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

#### Depreciation

The depreciation amount of all property, plant and equipment and infrastructure, 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 or either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

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

#### Depreciation on revaluation

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

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

#### Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

## 11. LEASES

### (a) Right of Use Assets

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

	Right of use assets - plant and equipment	Right of use assets Total
	\$	\$
Balance at 1 July 2020	169,015	169,015
Additions	0	0
Depreciation (expense)	(134,241)	(134,241)
Balance at 30 June 2021	34,774	34,774
Additions	0	0
Depreciation (expense)	(34,774)	(34,774)
Balance at 30 June 2022	0	0

The following amounts were recognised in the statement of comprehensive income during the period in respect of the leases where the entity is the lessee:

	2022	2021
	\$	\$
Depreciation expense on right-of-use assets	(34,774)	(134,241)
Interest expense on lease liabilities	(127)	(2,173)
<b>Total amount recognised in the statement of comprehensive income</b>	<b>(34,901)</b>	<b>(136,414)</b>
Total cash outflow from leases	(36,640)	(136,253)

The Shire has 5 leases relating to plant and equipment. The lease term for all leases is 5 years and all expired on October 2021. The Shire negotiated the price and bought all the 5 trucks at the expiry of lease which also included in the 2021/22 approved budget.

### SIGNIFICANT ACCOUNTING POLICIES

#### Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right of use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If the rate cannot be readily determined, the Shire uses the incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 28(d).

#### Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all vested right-of-use assets (other than vested improvements) under zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

#### Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

12. TRADE AND OTHER PAYABLES

**Current**

Sundry creditors	301,624	421,497
Accrued interest on long term borrowings	30,921	33,096
Accrued salaries and wages	98,161	88,432
ATO liabilities (PAYG Tax)	34,621	36,615
Accrued Expenses	68,444	42,415
Bonds and deposits	23,380	17,614
	<b>557,151</b>	<b>639,669</b>

	2022	2021
	\$	\$
	301,624	421,497
	30,921	33,096
	98,161	88,432
	34,621	36,615
	68,444	42,415
	23,380	17,614
	<b>557,151</b>	<b>639,669</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

**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 of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

**Financial liabilities**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.



### 13. OTHER LIABILITIES

	2022 \$	2021 \$
<b>Current</b>		
Contract liabilities	0	0
Capital grant/contributions liabilities	503,262	451,924
	<u>503,262</u>	<u>451,924</u>
<b>Non-current</b>		
Capital grant/contributions liabilities	0	0
	<u>0</u>	<u>0</u>
<b>Reconciliation of changes in capital grant/contributions liabilities</b>		
Opening balance	451,924	428,494
Additions	543,234	451,924
Revenue from capital grant/contributions liabilities held as contract liabilities at the start of the period	(491,896)	(428,494)
	<u>503,262</u>	<u>451,924</u>
<b>Expected satisfaction of capital grant/contribution liabilities</b>		
Less than 1 year	503,262	451,924
1 to 2 years	0	0
2 to 3 years	0	0
3 to 4 years	0	0
4 to 5 years	0	0
> 5 years	0	0
	<u>503,262</u>	<u>451,924</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Contract liabilities

Contract liabilities represent the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

##### Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligation to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

Non-current capital grant/contribution liabilities fair values are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

#### 14. BORROWINGS

	Note	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		204,187	2,513,375	2,717,562	196,328	2,717,562	2,913,890
Other loans		0	0	0	0	0	0
<b>Total secured borrowings</b>	28(a)	<b>204,187</b>	<b>2,513,375</b>	<b>2,717,562</b>	<b>196,328</b>	<b>2,717,562</b>	<b>2,913,890</b>

##### Secured liabilities and assets pledged as security

Debentures, bank overdrafts and other loans are secured by a floating charge over the assets of the Shire of Kondinin.

The Shire of Kondinin has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 years.

#### SIGNIFICANT ACCOUNTING POLICIES

##### 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.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature. Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs including own credit risk.

##### Risk

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

Details of individual borrowings required by regulations are provided at Note 28.

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

15. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	2022 Actual \$	2021 Actual \$
<b>Current provisions</b>		
<b>Employee benefit provisions</b>		
Annual leave	234,908	200,090
Long service leave	183,093	162,977
	<u>418,002</u>	<u>363,067</u>
<b>Non-current provisions</b>		
Long service leave	68,904	44,871
	<u>68,904</u>	<u>44,871</u>
<b>Total employee related provisions</b>	<u><u>486,905</u></u>	<u><u>407,939</u></u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on cost for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

(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:

Amounts are expected to be settled on the following basis:

	2022 \$	2021 \$
Within 12 months of the end of the reporting date	164,436	120,054
More than 12 months from reporting date	70,473	80,036
	<u>234,908</u>	<u>200,090</u>

Expected reimbursements of employee related provisions from other WA local governments

	NIL	NIL
--	-----	-----

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

Amounts are expected to be settled on the following basis:

	2022 \$	2021 \$
Within 12 months of the end of the reporting date	72,066	58,069
More than 12 months from reporting date	179,931	149,780
	<u>251,997</u>	<u>207,849</u>

Expected reimbursements of employee related provisions from other WA local governments

	NIL	NIL
--	-----	-----

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

**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**

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 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.

16. REVALUATION SURPLUS

	2022	2022	2022	2022	2021	2021	2021	2021	2021	2021	2021	Total
	Opening	Revaluation	Revaluation	Revaluation	Opening	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Movement on
	Balance	Increment	(Decrement)	Closing	Balance	Increment	(Decrement)	Increment	Decrement	Decrement	Decrement	Revaluation
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	(106,125)	0	0	(106,125)	(61,875)	0	0	(44,250)	0	(106,125)	0	0
Revaluation surplus - Buildings - non-specialised	45,257,072	0	0	45,257,072	45,257,072	0	0	0	0	45,257,072	0	0
Revaluation surplus - Buildings - specialised	4,511,367	0	0	4,511,367	4,511,367	0	0	0	0	4,511,367	0	0
Revaluation surplus - Furniture and equipment	40,444	0	0	40,444	40,444	0	0	0	0	40,444	0	0
Revaluation surplus - Plant and equipment	1,897,724	0	0	1,897,724	1,897,724	0	0	0	0	1,897,724	0	0
Revaluation surplus - Infrastructure - Roads	77,728,239	0	0	77,728,239	77,728,239	0	0	0	0	77,728,239	0	0
Revaluation surplus - Infrastructure - Footpaths	(2,476)	0	0	(2,476)	(2,476)	0	0	0	0	(2,476)	0	0
Revaluation surplus - Infrastructure - Drainage	(2,851)	0	0	(2,851)	(2,851)	0	0	0	0	(2,851)	0	0
Revaluation surplus - Infrastructure - Parks and Gardens	114,768	0	0	114,768	114,768	0	0	0	0	114,768	0	0
Revaluation surplus - Infrastructure - Other	2,776,388	0	0	2,776,388	2,864,793	0	0	(88,405)	0	2,776,388	0	0
	<b>132,214,548</b>	<b>0</b>	<b>0</b>	<b>132,214,548</b>	<b>132,347,204</b>	<b>(132,655)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,214,548</b>	<b>0</b>	<b>0</b>

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.

## 17. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) 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:

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and cash equivalents	3	7,136,946	2,835,064	5,445,996

### Restrictions

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents	3	2,771,992	2,298,953	1,671,787
- Financial assets at amortised cost	4	0	0	75,593
		<u>2,771,992</u>	<u>2,298,953</u>	<u>1,747,380</u>

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts	29	2,771,992	2,298,953	1,747,380
Unspent loans		0	0	0
<b>Total restricted financial assets</b>		<u>2,771,992</u>	<u>2,298,953</u>	<u>1,747,380</u>

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

Net result		3,645,840	4,182,995	1,855,881
Non-cash items:				
Adjustments to fair value of financial assets at fair value through profit or loss		(2,998)	0	(1,939)
Depreciation		3,266,878	3,232,935	3,220,207
(Profit)/loss on sale of asset		(90,038)	22,251	34,647
Share result/fair value adjustment to investment in associate		(4,250)	0	2,368
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables		547,951	318,329	(529,443)
(Increase)/decrease in other assets		(85,669)	0	3,899
(Increase)/decrease in inventories		(703)	1,510	(520)
Increase/(decrease) in trade and other payables		(84,514)	(173,694)	169,525
Increase/(decrease) in employee related provisions		78,967	6,933	12,264
Increase/(decrease) in other provisions		0	0	0
Increase/(decrease) in other liabilities		51,338	(156,184)	23,430
Non-operating Grants and contributions for the development of assets		(3,398,804)	(7,048,465)	(2,090,663)
<b>Net cash provided by/(used in) operating activities</b>		<u>3,923,999</u>	<u>386,610</u>	<u>2,699,657</u>

### (c) Undrawn Borrowing Facilities

#### 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	(3,269)	(523)
<b>Total amount of credit unused</b>	<u>266,731</u>	<u>269,477</u>

#### Loan facilities

Loan facilities - current	204,187	196,328
Loan facilities - non-current	2,513,375	2,717,562
<b>Total facilities in use at balance date</b>	<u>2,717,562</u>	<u>2,913,890</u>

#### Unused loan facilities at balance date

NIL NIL

**18. CONTINGENT LIABILITIES**

As disclosed in Note 21, the Shire of Kondinin has 25% interest in the Bendering Landfill Site (the Site). The Site has been registered as a Category 89 Prescribed Premises under Part V of the Environmental Protection Act 1986 (EPA). The Environmental Protection (Rural Landfill) Regulations 2002 (WA Rural Landfill Regulations) apply to category 89 Prescribed Premises in Schedule 1 Part 2 of the Environmental Protection Regulations 1987, for a putrescible landfill site that accepts between 20 and 5,000 tonnes of waste per year. These regulations outline requirements for the Site including a post-closure plan. A Landfill Management Plan (Plan) was prepared by Talis Consultants outlining the post-closure rehabilitation plan for the Site. The Plan was received by the members of the Roe Regional Organisation of Councils (RoeROC) at their meeting in July 2022. The Plan estimates the remaining life of Stage 1 of the Site to be approximately four years and that the closure cost for Stage 1 will be \$514,337. The Shire of Kondinin's 25% share of this cost will be \$128,584. The Shire currently has \$36,325 accumulated fund in Bendering Landfill Reserve account by way of Council resolution in 2016/17. The Shire will transfer the balance of \$92,259 for the next three financial years to cover the costs of rehabilitation Stage 1 of the Site.

**19. CAPITAL COMMITMENTS**

**(a) Capital Expenditure Commitments**

	<u>2022</u>	<u>2021</u>
	\$	\$
Contracted for:		
- capital expenditure projects	146,986	527,842
- plant & equipment purchases	85,966	300,455
Payable:		
- not later than one year	232,952	828,297

The capital expenditure projects outstanding at the end of the current reporting period represent the installation of security cameras (at Kondinin, Hyden and Karlgarin towns), Hyden Tennis Club reroofing, ducted aircon installation at #6 Hinck Street house and purchase of Trail signs for Wave Rock precinct. The prior year commitment was for the construction aged care facilities and purchase of lease trucks.

## 20. RELATED PARTY TRANSACTIONS

### (a) Elected Members Remuneration

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
<b>Councillors [K Mouritz]</b>			
President's annual allowance [S Meeking: Jul to Oct '21]	12,000	12,000	12,000
Meeting attendance fees	3,900	4,710	3,850
Annual ICT expenses	143	500	292
Travel and accommodation expenses	793	1,000	459
	16,836	18,210	16,601
<b>Councillor [B Gangell]</b>			
Meeting attendance fees	3,520	3,150	2,610
ICT expenses	143	500	292
Travel and accommodation expenses	229	600	346
	3,893	4,250	3,248
<b>Councillor [B Browning]</b>			
Meeting attendance fees	2,300	3,150	2,840
Annual ICT expenses	143	500	292
Travel and accommodation expenses	615	1,000	1,055
	3,059	4,650	4,187
<b>Councillor [M James]</b>			
Meeting attendance fees	2,540	3,150	2,300
ICT expenses	143	500	292
Travel and accommodation expenses	676	700	715
	3,360	4,350	3,307
<b>Councillor [D Pool]</b>			
Meeting attendance fees	3,150	3,150	2,760
ICT expenses	143	500	292
Travel and accommodation expenses	585	500	466
	3,878	4,150	3,518
<b>Councillor [T Mulcahy]</b>			
Meeting attendance fees	3,230	3,150	3,070
ICT expenses	143	500	292
Travel and accommodation expenses	669	1,000	672
	4,042	4,650	4,034
<b>Councillor [K Green]</b>			
Meeting attendance fees	2,080	2,100	0
Meeting attendance fees [K Mouritz: Jul to Oct '21]	920	1,050	2,310
Annual ICT expenses	143	500	292
Travel and accommodation expenses	785	1,000	1,156
	3,929	4,650	3,758
<b>Councillor [B Smith]</b>			
Meeting attendance fees	2,550	2,100	0
Meeting attendance fees [S Jones: Jul to Oct '21]	920	1,050	2,530
Annual ICT expenses	143	500	292
Travel and accommodation expenses	459	600	344
	4,072	4,250	3,166

20. RELATED PARTY TRANSACTIONS (continued)

(a) Elected Members Remuneration (continued)

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
<b>Councillor [P Green]</b>			
Meeting attendance fees	1,930	2,100	0
Meeting attendance fees [G Lynch: Jul to Oct '21]	920	1,050	2,300
ICT expenses	143	500	292
Travel and accommodation expenses	134	600	401
	<u>3,127</u>	<u>4,250</u>	<u>2,993</u>
	<b>46,195</b>	<b>53,410</b>	<b>44,812</b>

Fees, expenses and allowances to be paid or reimbursed to elected council members

	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
President's Allowance	12,000	12,000	12,000
Meeting attendance fees	27,960	29,910	24,570
ICT expenses	1,290	4,500	2,628
Travel and accommodation expenses	4,945	7,000	5,614
	<u>46,195</u>	<u>53,410</u>	<u>44,812</u>

(b) Key Management Personnel (KMP) Compensation

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

	2022 Actual	2021 Actual
	\$	\$
Short-term employee benefits	509,278	532,332
Post-employment benefits	59,362	55,237
Other long-term benefits	133,479	50,144
	<u>702,119</u>	<u>637,713</u>

*Short-term employee benefits*

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

*Post-employment benefits*

These amounts are the current-year's cost of 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.



**20. RELATED PARTY TRANSACTIONS (continued)**

**(c) Transactions with related parties:**

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

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

In addition to KMP compensation above the following transactions occurred with related parties:

	2022 Actual	2021 Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services	3,615	11,760
Purchase of goods and services from close family member of kmp	0	0
Contribution expense to RoeROC	39,350	46,905

**Amounts outstanding from related parties:**

Trade and other receivables	0	0
-----------------------------	---	---

**Amounts payable to related parties:**

Trade and other payables	0	0
Outstanding payables with RoeROC	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.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Shire.

*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.

21. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENT

(a) Balance of investment in associate

The Shire has a 1/4th interest in RoeROC assets at the Bendering landfill site and 23.08% interest in environmental health service.

The Shire's share in the assets based on the audited results of the Roe Regional Organisation of Council is as follows:

	2022 \$	2021 \$
Current assets	0	0
Non-current assets	192,386	167,400
Total assets	192,386	167,400
Liabilities	0	0
Net assets	192,386	167,400
Shire's 1/4th interest in associate	48,097	41,850
Balance as at 1 July	41,850	0
- Movement in land previously recorded as joint operation	0	60,000
- Movement in other infrastructure previously recorded as joint operation	0	116,873
- Movement in other infrastructure previously not recorded as joint operation	10,497	0
- Movement in asset revaluation surplus previously recorded as joint operation	0	(132,655)
- Movement in share of result in associate	(4,250)	(2,368)
Balance as at 30 June	48,097	41,850

(b) Share of joint operations

The Shire has a 23.08% interest in roe Environmental Health Services (Roe EHS)

The Shire's interest in the revenue and expenses have been included in the respective line items of the financial statements.

Statement of Comprehensive Income

Other expenditure	(35,310)	(49,392)
-------------------	----------	----------

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. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

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 interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest 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
	%	\$	\$	\$	\$
<b>2022</b>					
Cash and cash equivalents	1.16%	7,136,946	4,818,051	2,317,695	1,200
<b>2021</b>					
Cash and cash equivalents	0.15%	5,445,996	2,746,114	2,699,182	700
Financial assets at amortised cost - term deposits	0.40%	75,593	75,593	0	0

Sensitivity

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

	2022	2021
	\$	\$
Impact of 1% movement in interest rates on profit and loss and equity	23,177	26,992

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 28(a).

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

**Trade and Other 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. Whilst the Shire was historically 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 2021 or 1 July 2022 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 2022 and 30 June 2021 for rates receivable was determined as follows:

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2022</b>					
Rates receivable					
Expected credit loss	22.56%	22.57%	22.57%	22.57%	
Gross carrying amount	2,934	47,090	32,954	113,478	196,456
Loss allowance	662	10,629	7,438	25,614	44,343
<b>30 June 2021</b>					
Rates receivable					
Expected credit loss	62.01%	12.50%	25.83%	9.24%	
Gross carrying amount	164,769	19,877	7,735	22,716	215,097
Loss allowance	102,166	2,486	1,998	2,099	108,749

The loss allowance as at 30 June 2022 and 30 June 2021 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2022</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	46.65%	
Gross carrying amount*	80,811	6,142	608	16,398	103,959
Loss allowance	0	0	0	7,650	7,650
<b>30 June 2021</b>					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	9.95%	
Gross carrying amount*	181,390	446,898	2,054	76,855	707,197
Loss allowance	0	0	0	7,650	7,650

\*Excludes GST receivable from the ATO.

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Rates receivable		Trade and other receivables		Contract assets	
	2022 Actual	2021 Actual	2022 Actual	2021 Actual	2022 Actual	2021 Actual
Opening loss allowance as at 1 July	\$ 108,747	\$ 62,017	\$ 7,650	\$ 7,650	\$ 0	\$ 0
Increase in loss allowance recognised in profit or loss during the year	0	46,730	0	0	0	0
Receivables written off during the year as uncollectible	(21,000)		0		0	0
Unused amount reversed	(43,404)	0	0	0	0	0
Closing loss allowance at 30 June	44,343	108,747	7,650	7,650	0	0

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Shire, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**Contract Assets**

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration. The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance to all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables as a reasonable approximation of the loss rates for the contract assets.

SHIRE OF KONDININ  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

**Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 18(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2022</b>					
Payables	557,151	0	0	557,151	557,151
Lease liabilities	0	0	0	0	0
Borrowings	312,848	1,439,312	2,121,811	3,873,971	2,717,562
	869,999	1,439,312	2,121,811	4,431,122	3,274,713
<b>2021</b>					
Payables	639,669	0	0	639,669	639,669
Lease liabilities	36,513	0	0	36,513	36,513
Borrowings	312,848	1,173,238	2,387,890	3,873,976	2,913,890
	989,030	1,173,238	2,387,890	4,550,158	3,590,073

### **23. EVENTS OCCURRING AFTER THE END OF REPORTING PERIOD**

There was no event occurring after the end of the reporting period.

## 24. 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) Interest earnings

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

### i) 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.

### j) 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.

### k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

### New Accounting Standards for application in future years

The following new accounting standards will have application to local governments in future years:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2020-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.



25. ACTIVITIES/PROGRAMS

(a) Service objectives and descriptions

Shire operations as disclosed in these financial statements encompass the following service oriented functions and activities.

**Objective**

**Description**

**Governance**

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

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 FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

25. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

NOTE	2022 Actual \$	2022 Budget \$	2021 Actual \$
<b>Income excluding grants, subsidies and contributions</b>			
Governance	63,393	21,387	37,783
General purpose funding	3,409,881	3,368,313	3,276,113
Law, order, public safety	2,940	2,300	3,827
Health	330,747	335,475	351,114
Housing	72,136	50,500	53,048
Community amenities	132,757	113,400	144,736
Recreation and culture	37,264	35,448	38,779
Transport	63,573	0	2,182
Economic services	304,121	253,000	294,231
Other property and services	165,212	121,101	1,570,783
	<u>4,582,024</u>	<u>4,300,924</u>	<u>5,772,594</u>
<b>Grants, subsidies and contributions</b>			
Governance	4,630	0	0
General purpose funding	3,205,229	978,168	2,240,844
Law, order, public safety	30,485	25,604	36,735
Education and welfare	73,695	73,695	726,227
Recreation and culture	263,030	251,075	57,669
Transport	3,077,099	3,100,731	1,237,682
Economic services	198,746	3,829,935	412,784
Other property and services	58,846	50,000	68,872
	<u>6,911,759</u>	<u>8,309,208</u>	<u>4,780,813</u>
<b>Total Income</b>	<u>11,493,783</u>	<u>12,610,132</u>	<u>10,553,407</u>
<b>Expenses</b>			
Governance	(306,912)	(384,245)	(269,196)
General purpose funding	(177,144)	(193,046)	(170,756)
Law, order, public safety	(107,764)	(135,471)	(125,265)
Health	(574,204)	(623,694)	(489,584)
Education and welfare	(106,831)	(97,220)	(78,671)
Housing	(297,099)	(298,318)	(216,503)
Community amenities	(700,804)	(757,576)	(678,361)
Recreation and culture	(1,913,505)	(1,976,193)	(1,756,612)
Transport	(2,871,378)	(2,905,596)	(2,825,892)
Economic services	(697,787)	(884,896)	(801,919)
Other property and services	(94,514)	(170,883)	(1,284,767)
<b>Total expenses</b>	<u>(7,847,943)</u>	<u>(8,427,137)</u>	<u>(8,697,526)</u>
<b>Net Result for the period</b>	<u>3,645,840</u>	<u>4,182,995</u>	<u>1,855,881</u>

SHIRE OF KONDININ  
 NOTES TO FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

25. FUNCTION AND ACTIVITY (Continued)

(c) Fees and Charges

NOTE	2022 Actual	2022 Budget	2021 Actual
	\$	\$	\$
Governance	1,587	1,000	1,279
General purpose funding	3,605	5,750	11,315
Law, order, public safety	2,940	2,300	3,827
Health	28,258	15,300	30,052
Housing	68,691	50,000	52,356
Community amenities	130,518	113,400	143,940
Recreation and culture	18,403	16,550	20,456
Economic services	278,734	220,500	237,975
Other property and services	72,678	120,000	436,086
	605,413	544,800	937,284

(d) Total Assets

	2022	2021
	\$	\$
Governance	1,018,155	1,022,701
Law, order, public safety	490,407	507,104
Health	952,565	933,641
Education and welfare	3,300,373	2,923,764
Housing	3,368,378	3,368,917
Community amenities	580,722	615,960
Recreation and culture	16,373,038	16,816,965
Transport	128,359,924	126,138,820
Economic services	2,111,822	2,062,121
Other property and services	3,517,065	3,354,664
Unallocated	8,705,417	7,572,425
	168,777,868	165,317,083

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

26. RATING INFORMATION

(a) Rates

RATE TYPE Rate Description	Basis of valuation	Rate in \$	Number of Properties	2021/22 Actual Rateable Value	2021/22 Actual Rate	2021/22 Actual Interim Rates	2021/22 Actual Back Rates	2021/22 Actual Total Revenue	2021/22 Budget Rate	2021/22 Budget Interim Rate	2021/22 Budget Back Rate	2021/22 Budget Total Revenue	2020/21 Actual Total Revenue
GRV - Residential	Gross rental valuation	0.123795	302	2,530,328	313,242	(30)	0	313,212	314,117	0	0	314,117	311,266
GRV - Mining	Gross rental valuation	0.247500	4	1,046,750	259,071	0	0	259,071	259,071	0	0	259,071	255,816
UV - Mining	Unimproved valuation	0.298485	112	2,994,898	893,932	(11,019)	0	882,913	847,384	0	0	847,384	823,020
UV - Rural	Unimproved valuation	0.075420	357	124,003,502	1,912,134	431	0	1,912,565	1,912,149	0	0	1,912,149	1,880,660
<b>Sub-Total</b>			775	130,575,478	3,378,379	(10,618)	0	3,367,761	3,332,721	0	0	3,332,721	3,270,763
		<b>Minimum</b>											
		\$											
GRV - Residential	Gross rental valuation	450	45	46,275	20,700	0	0	20,700	20,250	0	0	20,250	19,360
UV - Mining	Unimproved valuation	450	35	27,632	15,750	0	0	15,750	9,000	0	0	9,000	13,640
UV - Rural	Unimproved valuation	450	20	356,100	9,000	0	0	9,000	14,400	0	0	14,400	9,240
<b>Sub-Total</b>			100	430,007	45,450	0	0	45,450	43,650	0	0	43,650	42,240
								3,413,211				3,376,371	3,313,003
								(91,066)				(84,000)	(138,233)
								3,322,145				3,292,371	3,174,770
								0				0	0
								45,517				43,012	43,012
								<b>3,367,662</b>				<b>3,335,383</b>	<b>3,217,762</b>

Discounts/concessions (refer note 26(d))

Total amount raised from general rate

Specified Area Rate (refer note 26(b))

Ex Gratia Rate

Total Rates

The entire balance of rates revenue has been recognised at a point in time in accordance with AASB 1058 Income for not-for-profit entities.

26. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire has not imposed any specified area rate for 2021/2022.

(c) Service Charges

The Shire has not imposed any service charges for 2021/2022.

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

Rates Discounts

Rate or Fee Discount Granted	Discount	2022 Actual	2022 Budget	2021 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
General rates	5	90,926	83,860	138,103	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	140	140	130	
		<b>91,066</b>	<b>84,000</b>	<b>138,233</b>	

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
			<b>0</b>	<b>0</b>

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Unpaid Rates Interest Rate	Instalment Plan Interest Rate
		\$	%	%
<b>Option One</b>				
Single full payment	8/10/2021	0.00	10%	5%
<b>Option Two</b>				
First instalment	8/10/2021	0.00	10%	5%
Second instalment	7/12/2021	10.00	10%	5%
Third instalment	7/02/2022	10.00	10%	5%
Fourth instalment	8/04/2022	10.00	10%	5%
<b>Option Three</b>				
First instalment	8/10/2021	0.00	10%	5%
Second instalment	7/02/2022	10.00	10%	5%
		<b>2022 Actual</b>	<b>2022 Budget</b>	<b>2021 Actual</b>
		\$	\$	\$
Interest on unpaid rates		21,813	10,000	22,982
Interest on instalment plan		3,150	3,000	3,538
Charges on instalment plan		1,710	1,500	1,530
		<b>26,674</b>	<b>14,500</b>	<b>28,049</b>

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

27. RATE SETTING STATEMENT INFORMATION

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

Note	2021/22 (30 June 2022 Carried Forward) \$	2021/22 Budget (30 June 2022 Carried Forward) \$	2020/21 (30 June 2021 Carried Forward) \$
Less: Profit on asset disposals	10(c) (123,619)	(9,488)	(12,831)
Less: Fair value adjustments to financial assets at fair value	4 (2,998)	0	(1,939)
Less: Fair value adjustments to investment in associate	21 (6,247)	0	2,368
Movement in employee benefit provisions (non-current)	24,032	0	12,272
Movement in trade and other receivables	5 11,993	0	(13,629)
Add: Loss on disposal of assets	10(c) 33,581	31,739	47,478
Add: Depreciation of assets	10(a) 3,266,878	3,232,935	3,220,207
<b>Non cash amounts excluded from operating activities</b>	<b>3,203,621</b>	<b>3,255,186</b>	<b>3,253,925</b>

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

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

Surplus/(deficit) after imposition of general rates

Less: Reserves - restricted cash	3 (2,771,992)	(2,298,953)	(1,747,380)
Less: Financial assets at amortised cost - self supporting loans	4(a) (58,180)	(52,277)	(56,140)
Add: Current portion of long-term borrowings	204,187	188,780	196,328
Add: Current portion of lease liabilities	11(a) 0	0	36,513
<b>Total adjustments to net current assets</b>	<b>(2,625,985)</b>	<b>(2,162,450)</b>	<b>(1,570,679)</b>

Net current assets used in the Rate Setting Statement

Total current assets	7,624,810	2,265,259	6,457,000
Less: Total current liabilities	(1,682,603)	(1,006,852)	(1,687,502)
Less: Total adjustments to net current assets	(2,625,985)	(1,258,408)	(1,570,679)
<b>Net current assets used in the Rate Setting Statement</b>	<b>3,316,224</b>	<b>0</b>	<b>3,198,819</b>

SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2022

28. BORROWINGS AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual				Budget					
		Principal		New Loans	Repayments	Principal		New Loans	Repayments		
		Principal at 1 July 2020	During 2020-21			Principal at 30 June 2021	During 2021-22			Principal at 1 July 2021	During 2021-22
Doctor's Housing		182,133	0	171,484	0	11,122	0	171,484	0	11,122	160,362
Staff Housing		92,338	0	78,118	0	14,669	0	78,118	0	14,669	63,449
Hyden Sewerage		520,017	0	494,121	0	27,281	0	494,121	0	27,281	466,840
Townsite Drainage		1,610,979	0	1,548,869	0	64,417	0	1,548,869	0	64,417	1,484,452
Kondinin Swimming Pool		371,899	0	349,988	0	22,698	0	349,988	0	22,698	327,270
Hyden Community & Visitor Centre		0	0	0	0	0	0	0	1,352,306	24,919	1,327,387
<b>Total</b>		<b>2,777,166</b>	<b>0</b>	<b>2,642,560</b>	<b>0</b>	<b>140,188</b>	<b>2,502,372</b>	<b>2,642,560</b>	<b>1,352,306</b>	<b>165,107</b>	<b>3,829,760</b>
<b>Self Supporting Loans</b>											
Kondinin Community Rec Com'tee		40,536	0	31,024	0	9,915	21,109	31,024	0	9,915	21,109
Hyden Progress Association		233,231	0	205,123	0	28,999	176,124	205,123	0	28,999	176,124
Karlgarin Progress Association		51,707	0	35,183	0	17,226	17,957	35,183	0	17,226	17,957
<b>Total Self Supporting Loans</b>		<b>325,504</b>	<b>0</b>	<b>271,331</b>	<b>0</b>	<b>56,140</b>	<b>215,190</b>	<b>271,331</b>	<b>0</b>	<b>56,140</b>	<b>215,190</b>
<b>Total Borrowings</b>		<b>3,102,670</b>	<b>0</b>	<b>2,913,890</b>	<b>0</b>	<b>196,328</b>	<b>2,717,562</b>	<b>2,913,890</b>	<b>1,352,306</b>	<b>221,247</b>	<b>4,044,950</b>

\*WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

**Borrowing Interest Repayments**

Purpose	Note	Function and activity	Loan Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021			
Doctor's Housing		Health	137A	WATC*	4.40%	8,325	8,801	8,852			
Staff Housing		Housing	140	WATC*	3.13%	2,606	3,075	3,165			
Hyden Sewerage		Community Amenities	139	WATC*	5.28%	28,597	30,094	30,163			
Townsite Drainage		Community Amenities	142	WATC*	3.68%	66,503	68,714	69,269			
Kondinin Swimming Pool		Recreation and Culture	136	WATC*	4.40%	16,987	17,942	18,062			
Hyden Community & Visitor Centre		Economic Services	143	WATC*	4.40%	-	36,674	-			
<b>Total</b>						<b>123,018</b>	<b>165,300</b>	<b>129,511</b>			
<b>Self Supporting Loans Interest Repayments</b>											
Kondinin Community Rec Com'tee		Recreation and Culture	131A	WATC*	4.20%	1,369	1,804	1,832			
Hyden Progress Association		Recreation and Culture	134A	WATC*	3.04%	7,261	8,037	8,325			
Karlgarin Progress Association		Recreation and Culture	138	WATC*	4.20%	1,353	2,057	2,164			
<b>Total Self Supporting Loans Interest Repayments</b>						<b>9,983</b>	<b>11,898</b>	<b>12,321</b>			
<b>Total Interest Repayments</b>	2(b)					<b>133,001</b>	<b>177,197</b>	<b>141,832</b>			

28. BORROWINGS AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2021/22 - NIL

(c) Unspent Borrowings NIL NIL

Purpose	Actual						Budget						
	Principal at 1 July 2020	New Leases During 2020-21	Principal at 30 June 2021	New Leases During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal at 30 June 2022	New Leases During 2021-22	Principal at 30 June 2022	Principal at 1 July 2021	New Leases During 2021-22	Principal at 30 June 2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Prime Mover - KN62	38,923	0	31,061	7,862	0	7,862	0	7,862	0	7,862	7,862	0	7,862
Prime Mover - KN77	38,286	0	30,553	7,733	0	7,733	0	7,733	0	7,733	7,733	0	7,733
Prime Mover - KN58	38,290	0	30,553	7,737	0	7,737	0	7,737	0	7,737	7,737	0	7,737
Canter Crew Cab - KN89	14,442	0	11,525	2,917	0	2,917	0	2,917	0	2,917	2,917	0	2,917
Water Truck - KN59	40,652	0	30,388	10,264	0	10,264	0	10,264	0	10,264	10,264	0	10,264
<b>Total Lease Liabilities</b>	<b>170,592</b>	<b>0</b>	<b>134,080</b>	<b>36,513</b>	<b>0</b>	<b>36,513</b>	<b>0</b>	<b>36,513</b>	<b>0</b>	<b>36,513</b>	<b>36,513</b>	<b>0</b>	<b>36,513</b>

Lease Interest Repayments

Purpose	Note	Function and activity	Lease Number	Institution	Interest Rate	Actual for year ending 30 June 2022	Budget for year ending 30 June 2022	Actual for year ending 30 June 2021	Lease Term
Prime Mover - KN62			400172MB	Mercedes Leasing	2.0%	26	26	491	60 months
Prime Mover - KN77			400171MB	Mercedes Leasing	2.0%	26	26	483	60 months
Prime Mover - KN58			401041MB	Mercedes Leasing	2.0%	22	22	484	60 months
Canter Crew Cab - KN89			400172MB	Mercedes Leasing	2.0%	10	10	182	60 months
Water Truck - KN59			400172MB	Mercedes Leasing	2.0%	43	43	532	60 months
<b>Total Interest Repayments</b>						<b>127</b>	<b>127</b>	<b>2,173</b>	



SHIRE OF KONDININ  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2021

29. RESERVES - CASH BACKED

	2022		2022		2022		2022		2022		2021		2021	
	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Opening	Actual	Opening	Opening	Transfer	Transfer	Opening	Opening	Transfer	Transfer	Opening	Transfer	Transfer	Closing
	Balance	Transfer	Balance	Balance	to	to	Balance	Balance	to	to	Balance	to	(from)	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Plant Reserve	445,703	212,631	445,703	211,864	0	211,864	577,277	657,567	0	102,926	577,277	102,926	(234,500)	445,703
(b) Housing Reserve	188,030	200,927	188,030	200,470	0	200,470	188,030	388,500	0	50,882	137,148	50,882	0	188,030
(c) Leave Reserve	364,562	1,127	364,562	911	0	911	365,689	365,473	0	152,164	212,398	152,164	0	364,562
(d) Tourism Development Reserve	132,795	31,627	132,794	31,474	0	31,474	114,268	(50,000)	(50,000)	34,255	148,539	34,255	(50,000)	132,794
(e) Water Infrastructure Reserve	100,314	310	100,314	125	(30,000)	125	100,439	100,439	0	100,314	0	100,314	0	100,314
(f) Community Bus Reserve	50,713	229	50,713	127	0	127	50,841	50,841	0	348	50,364	348	0	50,713
(g) Radio Reserve	24,881	112	24,881	62	0	62	24,943	24,943	0	171	24,710	171	0	24,881
(h) Landfill Reserve	26,135	5,082	26,135	5,065	0	5,065	31,200	31,200	0	5,127	21,008	5,127	0	26,135
(i) SJA Capital Upgrade Reserve	50,157	50,273	50,157	50,063	0	50,063	100,219	100,219	0	50,157	0	50,157	0	50,157
(j) Medical Services Reserve	77,839	240	77,839	195	0	195	78,034	78,034	0	424	77,415	424	0	77,839
(k) Hyden Recreation Centre Reserve	286,253	1,028	286,253	716	0	716	311,695	112,411	(200,000)	2,404	309,291	2,404	0	311,695
(l) Roads Reserve	0	300,775	0	300,775	0	300,775	0	300,500	0	0	0	0	0	0
(m) Hyden Visitor Centre Reserve	0	250,249	0	250,249	0	250,249	(25,442)	(25,442)	0	0	0	0	(25,442)	(25,442)
	<b>1,747,381</b>	<b>1,054,611</b>	<b>1,747,380</b>	<b>801,572</b>	<b>(30,000)</b>	<b>801,572</b>	<b>1,558,151</b>	<b>2,298,953</b>	<b>(250,000)</b>	<b>499,172</b>	<b>1,558,151</b>	<b>499,172</b>	<b>(309,942)</b>	<b>1,747,380</b>

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

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) Plant Reserve	Ongoing	Future expenditure for replacement of plant.
(b) Housing Reserve	Ongoing	To be used for the construction of new housing.
(c) Leave Reserve	Ongoing	To be used to pay annual and long service leave liabilities.
(d) Tourism Development Reserve	Ongoing	To be used to ensure that the Wave Rock area is kept at a good standard.
(e) Water Infrastructure Reserve	Ongoing	For the purchase of water pumps and installation of standpipe controllers and storage tanks.
(f) Community Bus Reserve	Ongoing	To be used for the replacement of the community bus.
(g) Radio & TV Reserve	Ongoing	To account for service charges raised.
(h) Landfill Reserve	Ongoing	To be used for the operational costs of Bendering landfill site.
(i) SJA Capital Upgrade Reserve	2024	Contribution for Sub Centre Capital upgrades in Kondinin and Hyden
(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.

### **30. TRUST FUNDS**

From 30 June 2019, 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 12.

### **31. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2021/22 financial year.



# Auditor General

## INDEPENDENT AUDITOR'S REPORT 2022 Shire of Kondinin

To the Councillors of the Shire of Kondinin

### Opinion

I have audited the financial report of the Shire of Kondinin (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 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 below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to

the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

## **Responsibilities of the Chief Executive Officer and Council for the financial report**

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the 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
- 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 responsibilities for the audit of the financial report**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the 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 financial report. 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.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## **My independence and quality control relating to the report on the financial report**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with *ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Matters relating to the electronic publication of the audited financial report**

This auditor's report relates to the financial report of the Shire of Kondinin for the year ended 30 June 2022 included in the annual report 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 financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Patrick Arulsingham  
Senior Director Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
16 December 2022

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Current Year Issue</b>			
1. Fair value of land, buildings and infrastructure assets – frequency of valuations	✓		
<b>Prior year issue</b>			
2. Excessive annual leave balance			✓

**KEY TO RATINGS**

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**SHIRE OF KONDININ****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Current Year Issue****1. Fair Value of Land, Buildings and Infrastructure Assets - Frequency of Valuations****Finding**

The Shire has not performed an assessment to determine whether its land, buildings and infrastructure assets represent fair value.

**Rating: Significant****Implication**

Without a robust assessment of fair value of the Shire's land, buildings and infrastructure assets there is a risk that the fair value of land, buildings and infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

**Recommendation**

The Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of land, buildings and Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's land, buildings and infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

**Management comment**

*The above finding was based on the audit question raised to the Shire by the auditor on email dated 29/11/2022, which the Shire responded, "As a small local government, the Shire of Kondinin has no in-house expertise to rely on for the fair value assessment of its assets. Thus, the Shire would need to engage the services of an independent valuer as it is not in a position to perform the task."*

*Based on a 5-year cycle of assets revaluation, the Shire's infrastructure assets is scheduled to be revalued before the end of 2022-23, while land and buildings in 2024-25.*

*It is management's opinion that having these assets reassess by an independent valuer prior to its revaluation cycle would trigger revaluation of the whole asset groups which would add financial burden to the Shire and additional workload to staff. This process would also be questioned as it may be a conflict of interest to ask a service provider if the service is required as it would be in the best interest to recommend the action.*

**Responsible person:** Tory Young, Manager of Planning and Assets

**Completion date:** 30 June 2022

**SHIRE OF KONDININ**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**Prior Year Issue**

**2. Excessive Annual Leave Balance**

**Finding  
2022**

The issue is still unresolved.

**2021**

During our testing on employee leave provisions, we noted that 1 of the 33 employees had annual leave balances in excess of 8 weeks (40 days) at year end.

The Local Government Industry Award 2010 deems an employee's leave accrual to be excessive if the employee has accrued more than 8 weeks.

We note that the management have processes in place to identify and monitor staff that have accrued excessive annual leave balances and have taken appropriate action.

**Rating: Minor  
Implication**

Excessive annual leave balances may have adverse effects on the Shire including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual leave entitlements;
- increase the Council's costs given salary rises and increments over time

**Recommendation**

The Shire should ensure that employees take leave in a timely manner and excessive leave balances are cleared in accordance with the Shire's policy.

**Management's Comments**

*Management noted that particular staff had not taken his annual leave on a timely manner due to pandemic which limit travelling to his preferred places. He recently used up a couple of weeks leave and is planning to use four or more weeks early next year.*

**Responsible person: David Burton, Chief Executive Officer**

**Completion date: 30 June 2023**



## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Current Year Issue</b>			
1. Fair value of land, buildings and infrastructure assets – frequency of valuations	✓		
<b>Prior year issue</b>			
2. Excessive annual leave balance			✓

**KEY TO RATINGS**

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**SHIRE OF KONDININ****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Current Year Issue****1. Fair Value of Land, Buildings and Infrastructure Assets - Frequency of Valuations****Finding**

The Shire has not performed an assessment to determine whether its land, buildings and infrastructure assets represent fair value.

**Rating: Significant****Implication**

Without a robust assessment of fair value of the Shire's land, buildings and infrastructure assets there is a risk that the fair value of land, buildings and infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

**Recommendation**

The Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of land, buildings and Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's land, buildings and infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

**Management comment**

*The above finding was based on the audit question raised to the Shire by the auditor on email dated 29/11/2022, which the Shire responded, "As a small local government, the Shire of Kondinin has no in-house expertise to rely on for the fair value assessment of its assets. Thus, the Shire would need to engage the services of an independent valuer as it is not in a position to perform the task."*

*Based on a 5-year cycle of assets revaluation, the Shire's infrastructure assets is scheduled to be revalued before the end of 2022-23, while land and buildings in 2024-25.*

*It is management's opinion that having these assets reassess by an independent valuer prior to its revaluation cycle would trigger revaluation of the whole asset groups which would add financial burden to the Shire and additional workload to staff. This process would also be questioned as it may be a conflict of interest to ask a service provider if the service is required as it would be in the best interest to recommend the action.*

**Responsible person:** Tory Young, Manager of Planning and Assets

**Completion date:** 30 June 2022

**SHIRE OF KONDININ**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

**Prior Year Issue**

**2. Excessive Annual Leave Balance**

**Finding  
2022**

The issue is still unresolved.

**2021**

During our testing on employee leave provisions, we noted that 1 of the 33 employees had annual leave balances in excess of 8 weeks (40 days) at year end.

The Local Government Industry Award 2010 deems an employee's leave accrual to be excessive if the employee has accrued more than 8 weeks.

We note that the management have processes in place to identify and monitor staff that have accrued excessive annual leave balances and have taken appropriate action.

**Rating: Minor  
Implication**

Excessive annual leave balances may have adverse effects on the Shire including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual leave entitlements;
- increase the Council's costs given salary rises and increments over time

**Recommendation**

The Shire should ensure that employees take leave in a timely manner and excessive leave balances are cleared in accordance with the Shire's policy.

**Management's Comments**

*Management noted that particular staff had not taken his annual leave on a timely manner due to pandemic which limit travelling to his preferred places. He recently used up a couple of weeks leave and is planning to use four or more weeks early next year.*

**Responsible person: David Burton, Chief Executive Officer**

**Completion date: 30 June 2023**

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Current Year Issues</b>			
1. Lack of Purchase Orders for Expenditure		✓	
2. Risk Management Plan		✓	
3. IT Security Control Environment		✓	
4. Security Access Controls		✓	
5. Authorization of Timesheets			✓
6. Incorrect Pay Rate for Casual Employee			✓
<b>Prior year issue:</b>			
7. Quotations	✓		

**KEY TO RATINGS**

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## Current Year Issues

## 1. Lack of Purchase Orders for Expenditure

**Finding**

The Shire's purchasing policy states that where purchases are not made with the express approval of Council or made through WALGA E-Quotes system, an official purchase order is to be issued.

During our procurement testing, we noted that for approximately 4% of purchase transactions we sampled, 2 purchase orders where a purchase order was required per the purchasing policy, had not been prepared.

**Rating: Moderate****Implication**

The Shire has not adhered to the purchasing policy and as a result may commit to expenditure which has not been appropriately authorised by management, in line with the budget or represent valid business related expenditure of the Shire. This may potentially result in financial loss to the Shire.

**Recommendation**

Management should ensure that purchase orders are obtained prior to the purchase of goods and services as required by the purchasing policy.

**Management Comment**

*These could have been an oversight. In some instances, the same purchase orders were photocopied for partially delivered goods and attached to the suppliers' tax invoice and this could not have been done. Accounts Payable Officer is reminded to ensure a copy of purchase order is attached to every tax invoice prior to processing for payment.*

**Responsible Person:** Vince Bugna, MCS

**Completion Date:** 30 June 2022

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**2. Risk Management Plan****Finding**

The Shire has a Risk Management Plan which covers the following:

- Risk Management Matrix
- Roles and Responsibilities
- Risk Management Reporting Flowchart
- Identified Risk Areas
- Assessment of Identified Risk Areas
- Council Policy

However, we noted that there is no risk treatment plan included in the Risk Management Plan.

**Rating: Moderate****Implication**

Without a risk treatment plan, the Shire may not effectively manage the current risks faced by the Shire. This may have an adverse impact on the achievement of organisational objectives.

**Recommendation**

The Shire should amend the Risk Management Plan to include a risk treatment plan to address those identified risks.

**Management's Comments**

*In compliance with Reg 17, this has been updated by the CEO – presented and adopted by the Audit and Risk Committee on the 15<sup>th</sup> June 2022 meeting.*

**Responsible Person:** David Burton, CEO

**Completion Date:** 15 June 2022

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**3. IT Security Control Environment****Finding**

During our audit, we noted the following issues around the IT Environment:

- i. Lack of physical access controls to the server
- ii. No ICT Strategy Plan
- iii. No Cyber Security Response Plan

We observed that the IT server is not securely housed in a separate cabinet or located in a secure room with restricted access to unauthorized staff and the public. There is also no documented process for the Shire to follow should a cyber-attack occur.

**Rating: Moderate****Implication**

The server and records could be accessed by unauthorised persons and sensitive or confidential information could be compromised.

Lack of an ICT Strategy Plan increases the risk of the IT resources not being aligned to the business strategy and priorities.

Without a Cyber Security Response Plan in place key risks to electronic data are not identified and safeguards are not put in place to minimise the risks posed by cyber threats. This could ultimately lead to loss of electronic data.

**Recommendation**

We recommend that the server is housed in a separate cabinet which is locked with custody of the key being restricted to key employees or is relocated to a secure room which is locked and access is restricted to key employees.

A Cyber Security Response Plan should be adopted to document identified key risks to electronic data, safeguards to be implemented and a process for the Shire to follow should a cyber-attack occur in order to reduce risk to an acceptable level.

Management should develop an ICT Strategy Plan Identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level. This plan should be regularly reviewed and tested to ensure its validity.

**Management's comments**

*Security access to the server in the form of a secure cabinet has been communicated to the Shire's IT provider (PCS) and it's been scheduled to be installed/or as soon as the materials become available.*

*ICT Strategy Plan and Cyber Security Response Plan in coordination with the Shire's IT provider are also being considered to have in place/or as soon as practicable.*

**Responsible person:** Vince Bugna, MCS

**Completion date:** 31 December 2022

## SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**4. Security Access Controls****Finding**

We noted the records room and safe are not securely locked during the day and are open to unauthorized access.

We physically inspected cash takings from the previous day left in the till tray in the safe overnight and unattended in the morning.

We also noted the back door to the Shire Administration office located at the Shire of Kondinin is not locked and accessible to the public throughout the day.

**Rating: Moderate****Implication**

The records room, safe and Shire Administration office could be accessed by unauthorised persons and sensitive or confidential information could be compromised.

Cash takings from the previous day stored in the open records room and safe could be accessed by unauthorised persons.

**Recommendation**

The records room and safe should be securely locked when not in use with the key safely stored in the safe custody of management.

The back door to the Shire Administration office should be locked at all times with a pin-pad security device installed to restrict access to authorized persons only.

**Management's Comments**

*Based on our discussion with staff especially those that have been with the Shire for more than 2 decades, concern about the safe is more on Occupational Safety & Health (OSH) rather than security. The Shire of Kondinin's safe has been setup as a walk-in storage room for historical Council Minutes, filing cabinet for personnel records and contracts, shelves for current year's debtor and creditor's file as well as petty cash till kept during the night and on week-ends. Accordingly, multiple opening and closing of safe could lead to staff being locked inside.*

*Nowadays, payments by creditors (including rates) have been done through direct bank deposits and the safe keeps a couple hundred dollar petty cash which is transferred at the front counter drawer during the day. Security is not an issue in this local government and there is always staff inside the office.*

*While the recommendation for pin-pad security device for the Shire Administration Office backdoor is to be considered and as when Council find it practical to have it then installed (considering this small town has almost nil crime rate record).*

**Responsible Person:** David Burton, CEO

**Completion Date:** 30 June 2022



SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**5. Authorization of Timesheets**

**Finding**

We noted 1 instance out of our sample of 23 where a timesheet had not been signed by the relevant employee or the supervisor.

**Rating: Minor**

**Implication**

There is no evidence to support the accuracy or validity of the hours recorded on the timesheet and payroll system. This may lead to an invalid and/or inaccurate payment to the employee.

**Recommendation**

Management should ensure all timesheets are signed by employees on completion and by the relevant supervisor as evidence of review and authorization before being processed in the payroll system.

**Management Comment**

*This was an oversight. Payroll Officer has been reminded to ensure all timesheets are properly signed and authorised.*

**Responsible Person:** Heather Lockyer, Finance Officer

**Completion Date:** 30 June 2022

SHIRE OF KONDININ

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**6. Incorrect Pay Rate for Casual Employee**

**Finding**

We noted 1 instance out of our sample of 23 where the casual loading applicable to an employee was not paid for the fortnight selected for testing.

**Rating: Minor**

**Implication**

Employees employed on a casual basis are not paid their full entitlement according to the award rate.

**Recommendation**

Management should ensure casual loading is included in the rate of pay for casual employees according to the award rate.

**Management Comment**

*This was an oversight. Payroll Officer has been reminded to review the setup of all employees (including casual employees) in the payroll system.*

**Responsible Person:** Heather Lockyer, Finance Officer

**Completion Date:** 30 June 2022

**SHIRE OF KONDININ****PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****Prior Year Issue****7. Quotations****Finding  
2022**

During our procurement testing, we noted that for approximately 28% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained, to test the market, and no documentation to explain why other quotes were not sought.

**2021**

During our procurement testing, we noted that for approximately 4% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained, to test the market, and no documentation to explain why other quotes were not sought.

**2020**

During our procurement testing, we noted that for approximately 58% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained, to test the market, and no documentation to explain why other quotes were not sought.

**2019**

During our procurement testing, we noted that 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.

**Rating: Significant (2021 Rating – Moderate)****Implication**

If purchases are made without obtaining sufficient quotes, there is a risk of fraud or favouritism of suppliers and not obtaining value for money.

If purchases are made without obtaining a purchase order, the Shire may commit to expenditure which has not been appropriately authorised by management, in line with the budget or represent valid business related expenditure. This may potentially result in financial loss to the Shire.

**Recommendation**

For purchases below the tender threshold, quotes should be obtained, in accordance with the Shire's purchasing policy. If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

**SHIRE OF KONDININ**

**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**Management Comment**

*To lessen the burden of obtaining the number of quotes (especially from Local suppliers who find impractical to provide), the recent Annual Review of Policy Manual (Item 9.4.4 – 15<sup>th</sup> June 2022 OCM) removed the requirement of quotes for purchases below \$2,000.*

*Finance and Administration requires the Shire's Works Department to use the Synergysoft Purchase Order module (as much as possible) where it is easier to write an explanation why the number of quotes cannot be obtained.*

**Responsible Person:** Vince Bugna, MCS

**Completion Date:** 30 June 2022

D

K

DRY / KIRKNESS

# Annual Audit Completion Report

Accounting Business  
Advisory Audit  
Services



Office of the Auditor General  
Serving the Public Interest



DRY / KIRKNESS

# Shire of Kondinin

## 30 June 2022

Accounting Business  
Advisory Audit  
Services

**OAG**  
Office of the Auditor General  
Serving the Public Interest

# Introduction

## FROM OUR ENGAGEMENT PARTNER

Shire of Kondinin for the year ended 30 June 2022

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact me.



### **ROBERT HALL** **DIRECTOR**

B.Com (Hons) CA  
[rhall@butlersettineri.com.au](mailto:rhall@butlersettineri.com.au)

### **LIANG WONG** **ASSISTANT DIRECTOR**

OAG Representative  
[Liang.Wong@audit.wa.gov.au](mailto:Liang.Wong@audit.wa.gov.au)

# Executive Summary

---

- + Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2021, 2022 and 2023 and have changed names to Dry Kirkness (Audit) Pty Ltd on 1 July.
- + Dry Kirkness (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2022 as contract auditor on behalf of the Office of the Auditor General.
- + No unresolved issues.
- + Our findings are included in this report.
- + We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- + There are no outstanding matters.





# Independence

---

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- + Self Interest Threats
- + Self Review Threats
- + Advocacy Threats
- + Familiarity Threats
- + Intimidation Threats

What we do to remain independent:

- + All team members sign an independence declaration at the commencement of the audit;
- + We monitor our individual independence throughout the audit;
- + All team members sign off an independence declaration at the completion of the audit.

# Compliance With Laws & Regulations & Fraud

---

Laws and Regulations applicable to the Shire include the following:

- + Local Government Act 1995;
- + Local Government (Financial Management) Regulations 1996;
- + Local Government (Audit) Regulations 1996;
- + Australian Tax Office (GST / FBT / PAYG) Compliance;
- + Compliance with conditions of program funding arrangements.

During the audit process there have been:

- + Non-compliance issues have been reported in the audit findings where applicable.
- + No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.



# Key Audit Matters and Audit Outcomes

During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit:</p> <ul style="list-style-type: none"> <li>+ Supplier Masterfile amendments form not in use</li> <li>+ Incorrect payments reported in council minutes</li> <li>+ Payment batch not signed by approver</li> <li>+ Excessive annual leave</li> <li>+ Lack of sufficient quotes for purchases</li> </ul>	<p>We followed up on last year's audit issues during the audit. Certain issues remain as detailed under Audit Findings.</p>
<p>Potential key changes to accounting standards that may impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• <u>AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities</u></li> </ul> <p>The AASB is currently working on a short-term, narrow scope project to clarify some aspects of AASB 15 and AASB 1058. This may result in:</p> <ul style="list-style-type: none"> <li>- Amendment of existing illustrative examples in and/or addition of new illustrative examples to the standards</li> <li>- Educational material to support consistent application of the standards.</li> </ul> <p>IFRS Interpretations Committee (IFRIC) Agenda decisions that may impact your entity:</p> <ul style="list-style-type: none"> <li>• <u>AASB 138 Intangible Assets</u></li> </ul> <p>IFRIC has issued two final agenda decisions on cloud computing arrangements (Software as a Service or SaaS arrangements):</p> <ul style="list-style-type: none"> <li>- The March 2019 decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.</li> <li>- The April 2021 decision builds on the 2019 decision and considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised.</li> </ul>	<p>We reviewed management's assessment of the impact of the changes to the standard and decision and confirmed that your entity has applied the standard and decision correctly, and the financial statements comply with the revised requirements of the standard and decision.</p>
<p>Changes to Local Government (Financial Management) Regulations:</p> <ul style="list-style-type: none"> <li>+ Removal of the requirement for local government entities to report financial ratios within the financial statements</li> </ul>	<p>We reviewed the financial report and confirmed that management has complied with the regulation.</p>

<p>We have identified the following areas that we consider require additional focus during our 2021- 22 local government audits:</p> <ul style="list-style-type: none"> <li>+ Related party disclosures</li> <li>+ Revenue recognition</li> <li>+ Unauthorised expenditure</li> <li>+ Unrecorded liabilities and expenses</li> <li>+ Fictitious employee payments</li> <li>+ Joint Arrangement disclosures</li> </ul>	<p>We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial report in relation to the risks identified.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>+ Provision for annual and long service leave</li> <li>+ Impairment of assets</li> <li>+ Fair value of PPE and Infrastructure</li> <li>+ Provision for rehabilitation of waste disposal sites</li> </ul>	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p> <p>We note that management has not performed a robust assessment to determine if infrastructure assets represent fair value following significant cost increases. This has been reported as a current year finding.</p>
<p>Important changes in management or the control environment.</p>	<p>None during the financial year.</p>

# Audit Misstatements

---

There were no uncorrected misstatements.

# Audit Findings

---

## Per the Interim Management Letter:

1. Payments:
  - insufficient quotes for 13 payments
  - 2 purchase orders were not on file
2. No risk treatment plan included in the Risk Management Plan
3. IT Security Control Environment
  - Lack of physical access controls to the server
  - No ICT Strategy Plan
  - No Cyber Security Response Plan
4. Security Access Controls -
  - Records room and safe are not securely locked during the day and are open to unauthorized access
5. 1 timesheet had not been signed by the relevant employee or the supervisor
6. Incorrect Pay Rate for Casual Employee on 1 occasion

## Per the Final Management Letter:

1. 1 Employee with excessive annual leave balance at year end
2. No assessment to determine if land, buildings and infrastructure assets represent fair value

# Key Changes For Next Year

---

## Changes in regulations

- + DLGSCI invited comments from local governments on proposed reforms which includes improved financial management and reporting. New standardized templates are proposed for larger and smaller local government entities. Smaller local governments will have a more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments.

## Accounting Issues for 2023

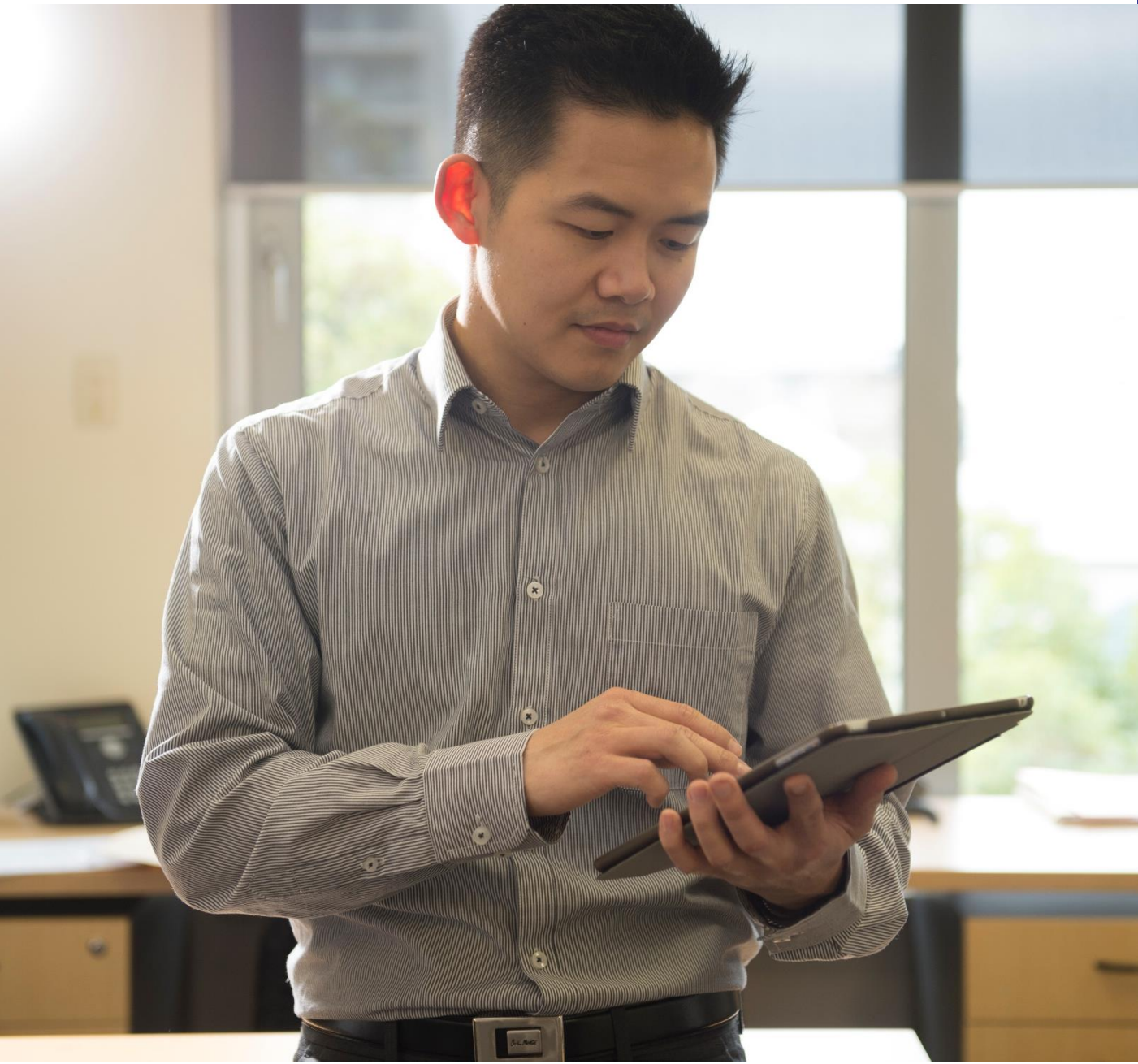
- + None anticipated that would have a significant impact on the financial statements for the year ending 30 June 2023.
- + Local Government (LG) entities report most of their Property, Plant and Equipment and Infrastructure Assets at fair value. The LG entity under AASB 13 Fair Value Measurement should be determining whether there are trigger events that would indicate movement in these assets annually as required under Australian Accounting Standards. This assessment need also be considered in accordance with 17A, 4(a) of the Local Government (Financial Management) Regulations 1996.
  - Particularly in a non-revaluation year, where fair value movement indicators exist, a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements.
  - This does not suggest a formal revaluation be performed annually. However, LG entities could consider implementing from their internal/external valuer a desktop analysis to inform the LG entity of potential movements applicable to their LG. Where Fair Value movements are present the LG entity should be considering and providing to auditors supporting evidence of amounts and the basis of determining the booking of these revaluation movements.
  - Where an LG undertakes the formal valuation internally, it is recommended they have this assessment peer reviewed (i.e. review the valuation methodology, inputs and model etc for reasonableness) by an approved independent valuer.
  - Where these assessments have not been performed or are not of a sufficient robustness, a significant Management Letter finding will be reported and on-flowing considerations to the audit opinion may result.
  - This is an important area that would require early consideration by LG entities as part of the annual preparation of financial statements. This is essential to allow the LG entity to perform and engage experts as required, particularly where trigger events are noted.



# Thank You

---

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank David Burton, Vince Bugna and the finance team for their support.





Accounting Business  
Advisory Audit  
Services

---

Dry Kirkness (Audit) Pty Ltd  
Ground Floor, 50 Colin St  
West Perth, WA 6005

PO Box 166,  
West Perth, 6872  
[dk@drykirkness.com.au](mailto:dk@drykirkness.com.au)  
[drykirkness.com.au](http://drykirkness.com.au)

P: (08) 9481 1118  
ABN: 61 112 942 373  
RCA No. 289109

Liability limited by a scheme  
approved under the  
Professional Standards  
Legislation

---