



SHIRE OF KONDININ

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	55

COMMUNITY VISION

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

Principal Place of Business:
Gordon Street
KONDININ WA 6367

SHIRE OF KONDININ
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Kondinin at 30 June 2020 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 11th day of December 2020


Chief Executive Officer


Name of Chief Executive Officer



**SHIRE OF KONDININ
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	26(a)	3,189,086	3,131,650	3,027,127
Operating grants, subsidies and contributions	2(a)	2,727,538	1,804,298	3,072,018
Fees and charges	2(a)	762,423	979,604	878,086
Interest earnings	2(a)	73,887	75,519	107,462
Other revenue	2(a)	450,583	377,155	750,573
		<u>7,203,517</u>	<u>6,368,226</u>	<u>7,835,267</u>
Expenses				
Employee costs		(2,105,116)	(2,256,135)	(2,165,266)
Materials and contracts		(2,145,906)	(2,327,392)	(2,347,792)
Utility charges		(343,267)	(317,300)	(319,972)
Depreciation on non-current assets	11(c)	(3,208,412)	(3,163,185)	(3,002,272)
Interest expenses	2(b)	(155,632)	(150,847)	(138,226)
Insurance expenses		(216,972)	(226,089)	(207,133)
Other expenditure		(246,627)	(277,155)	(230,741)
		<u>(8,421,932)</u>	<u>(8,718,106)</u>	<u>(8,411,402)</u>
		<u>(1,218,415)</u>	<u>(2,349,881)</u>	<u>(576,134)</u>
Non-operating grants, subsidies and contributions	2(a)	1,113,029	1,122,579	843,627
Profit on asset disposals	11(a)	0	0	10,000
(Loss) on asset disposal	11(a)	(102,659)	(190,401)	(38,191)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	864	0	49,551
		<u>1,011,234</u>	<u>932,178</u>	<u>864,987</u>
Net Result for the period		(207,181)	(1,417,702)	288,851
Other comprehensive income				
<i>Items that will not be reclassified subsequent to profit or loss</i>				
Changes in asset revaluation surplus	13	4,798,521	0	603,214
Total other comprehensive income for the period		4,798,521	0	603,214
Total comprehensive income for the period		4,591,340	(1,417,702)	892,065

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



SHIRE OF KONDININ
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
	2(a)			
Governance		64,198	14,813	39,919
General purpose funding		5,452,191	4,477,259	5,384,344
Law, order, public safety		29,095	18,740	19,505
Health		358,055	337,107	354,453
Education and welfare		0	0	0
Housing		55,213	54,732	56,255
Community amenities		116,690	139,909	147,971
Recreation and culture		44,930	47,334	43,089
Transport		197,677	194,798	542,208
Economic services		577,472	607,045	590,418
Other property and services		307,996	478,568	657,105
		<u>7,203,517</u>	<u>6,370,305</u>	<u>7,835,267</u>
Expenses				
	2(b)			
Governance		(340,432)	(302,282)	(268,624)
General purpose funding		(171,959)	(197,267)	(171,525)
Law, order, public safety		(140,833)	(105,164)	(75,512)
Health		(507,713)	(578,591)	(498,782)
Education and welfare		(88,373)	(97,806)	(121,980)
Housing		(264,123)	(309,153)	(283,729)
Community amenities		(681,400)	(764,474)	(683,136)
Recreation and culture		(1,948,624)	(1,882,780)	(1,805,538)
Transport		(2,830,598)	(2,840,106)	(2,932,654)
Economic services		(1,057,051)	(998,797)	(917,678)
Other property and services		(235,194)	(512,228)	(514,018)
		<u>(8,266,300)</u>	<u>(8,588,649)</u>	<u>(8,273,176)</u>
Finance Costs				
	2(b)			
Health		(9,425)	(9,464)	(9,903)
Housing		(3,722)	(3,720)	(4,235)
Community amenities		(103,628)	(31,798)	(86,914)
Recreation and culture		(34,056)	(86,553)	(37,174)
Transport		(4,801)	0	0
		<u>(155,632)</u>	<u>(131,535)</u>	<u>(138,226)</u>
		<u>(1,218,415)</u>	<u>(2,349,879)</u>	<u>(576,135)</u>
Non-operating grants, subsidies and contributions	2(a)	1,113,029	1,122,579	843,627
Profit on asset disposals	11(a)	0	0	10,000
(Loss) on asset disposal	11(a)	(102,659)	(190,401)	(38,191)
Fair value adjustments to financial assets at fair value through profit or loss	8(b)	864	0	49,551
		<u>1,011,234</u>	<u>932,178</u>	<u>864,987</u>
Net Result for the period		<u>(207,181)</u>	<u>(1,417,702)</u>	<u>288,851</u>
Other Comprehensive Income				
<i>Items that will not be reclassified subsequent to profit or loss</i>				
Changes in asset revaluation surplus	13	4,798,521	0	603,214
Total other comprehensive income for the period		<u>4,798,521</u>	<u>0</u>	<u>603,214</u>
Total comprehensive income for the period		<u>4,591,340</u>	<u>(1,417,702)</u>	<u>892,065</u>

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



**SHIRE OF KONDININ
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	4,100,108	2,016,064
Trade receivables	5	334,309	318,105
Other financial assets	8(a)	54,173	1,227,312
Inventories	6	20,990	16,705
Other current assets	7	11,536	4,165
TOTAL CURRENT ASSETS		4,521,115	3,582,351
NON-CURRENT ASSETS			
Other financial assets	8(b)	324,746	378,055
Property, plant and equipment	9(a)	26,850,846	23,372,632
Right of use assets	12(a)	169,015	0
Infrastructure	10(a)	131,845,773	131,877,982
TOTAL NON-CURRENT ASSETS		159,190,380	155,628,670
TOTAL ASSETS		163,711,495	159,211,021
CURRENT LIABILITIES			
Trade and other payables	14	470,141	474,638
Borrowings	17(a)	188,780	181,531
Contract liabilities	15	428,494	0
Lease liabilities	16(a)	134,080	0
Employee related provisions	18	363,076	409,276
TOTAL CURRENT LIABILITIES		1,584,571	1,065,445
NON-CURRENT LIABILITIES			
Borrowings	17(a)	2,913,890	3,102,670
Lease liabilities	16(a)	36,513	0
Employee related provisions	18	32,600	40,325
TOTAL NON-CURRENT LIABILITIES		2,983,003	3,142,995
TOTAL LIABILITIES		4,567,574	4,208,440
NET ASSETS		159,143,921	155,002,581
EQUITY			
Retained surplus		25,238,566	25,762,087
Reserves - cash backed	4	1,558,151	1,241,811
Revaluation surplus	13	132,347,204	127,998,683
TOTAL EQUITY		159,143,921	155,002,581

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 2020

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		25,019,730	1,695,317	127,395,469	154,110,516
Comprehensive Income					
Net Result for the period		288,851	0	0	288,851
Other comprehensive income	13	0	0	603,214	603,214
Total comprehensive income		288,851	0	603,214	892,065
Transfer from reserves		775,693	(775,693)	0	0
Transfer to reserves		(322,187)	322,187	0	0
Balance as at 30 June 2019		25,762,087	1,241,811	127,998,683	155,002,581
Change in accounting policy	32(a)	0	0	(450,000)	(450,000)
Restated balance as at 1 July 019		25,762,087	1,241,811	127,548,683	154,552,581
Comprehensive Income					
Net Result for the period		(207,181)	0	0	(207,181)
Other comprehensive income	13	0	0	4,798,521	4,798,521
Total comprehensive income		(207,181)	0	4,798,521	4,591,340
Transfer from reserves		(316,340)	316,340	0	0
Transfer to reserves		0	0	0	0
Balance as at 30 June 2020		25,238,566	1,558,151	132,347,204	159,143,921

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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,177,425	3,131,650	2,957,360
Operating grants, subsidies and contributions		2,727,538	1,864,298	3,072,018
Fees and charges		742,719	979,604	878,086
Service charges		0	0	0
Interest earnings		73,887	75,519	107,462
Goods and services tax received		492,117	577,960	612,099
Other revenue		451,447	377,155	750,573
		<u>7,665,134</u>	<u>7,006,185</u>	<u>8,377,598</u>
Payments				
Employee costs		(2,150,177)	(2,051,013)	(2,142,498)
Materials and contracts		(2,036,238)	(2,532,514)	(2,475,123)
Utility charges		(343,267)	(317,300)	(319,972)
Insurance expenses		(216,972)	(226,089)	(207,133)
Interest expenses		(157,310)	(150,847)	(125,589)
Goods and services tax paid		(204,461)	(577,960)	(649,612)
Other expenditure		(224,497)	(277,155)	(222,169)
		<u>(5,332,924)</u>	<u>(6,132,881)</u>	<u>(6,142,099)</u>
Net cash provided by (used in) operating activities	19	<u>2,332,212</u>	<u>873,305</u>	<u>2,235,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for Development of Land Held for Resale				
Payments for purchase of property, plant & equipment		(701,978)	(1,343,252)	(2,066,834)
Payments for construction of infrastructure		(1,883,002)	(2,017,005)	(3,738,905)
Advances to community groups		0	0	0
Proceeds from financial assets at amortised cost - term deposits		1,175,035	0	(1,175,035)
Non-operating grants, subsidies and contributions		1,113,029	1,062,579	1,083,627
Proceeds from sale of plant & equipment		309,453	302,000	214,653
Net cash provided by (used in) investment activities		<u>12,537</u>	<u>(1,995,678)</u>	<u>(5,682,493)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(181,531)	(181,531)	(149,830)
Payments for principal portion of lease liabilities		(131,451)	0	0
Proceeds from Self Supporting Loans		52,277	52,277	54,318
Proceeds from new borrowings		0	0	1,700,000
Net cash provided by (used in) financing activities		<u>(260,705)</u>	<u>(129,254)</u>	<u>1,604,488</u>
Net increase (decrease) in cash held		<u>2,084,044</u>	<u>(1,251,627)</u>	<u>(1,842,506)</u>
Cash at Beginning of Year		2,016,064	3,172,499	3,839,970
Reclassification of trust fund to restricted cash	29	0	0	18,600
Cash and cash equivalents at the end of the year	19	<u><u>4,100,108</u></u>	<u><u>1,920,871</u></u>	<u><u>2,016,064</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 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	27(b)	1,404,349	1,418,922	1,673,835
Revenue from operating activities (excluding rates)				
Governance		65,062	14,813	42,920
General purpose funding		2,263,105	1,345,609	2,357,217
Law, order, public safety		29,095	18,740	19,505
Health		358,055	337,107	354,453
Education and welfare		0	0	0
Housing		55,213	54,732	56,255
Community amenities		116,690	139,909	147,971
Recreation and culture		44,930	48,645	43,089
Transport		197,677	192,719	542,208
Economic services		577,472	605,734	590,418
Other property and services		307,996	478,568	667,104
		<u>4,015,293</u>	<u>3,236,576</u>	<u>4,821,138</u>
Expenditure from operating activities				
Governance		(340,432)	(340,390)	(222,073)
General purpose funding		(171,959)	(197,267)	(171,525)
Law, order, public safety		(140,833)	(105,164)	(75,512)
Health		(517,138)	(588,055)	(508,685)
Education and welfare		(88,373)	(97,806)	(121,980)
Housing		(267,845)	(312,873)	(287,964)
Community amenities		(785,027)	(796,272)	(770,050)
Recreation and culture		(1,982,680)	(1,969,333)	(1,842,712)
Transport		(2,938,058)	(2,987,391)	(2,959,269)
Economic services		(1,057,051)	(998,797)	(917,678)
Other property and services		(235,197)	(515,157)	(514,018)
		<u>(8,524,592)</u>	<u>(8,908,506)</u>	<u>(8,391,466)</u>
Non-cash amounts excluded from operating activities	27(a)	3,302,482	3,353,585	2,963,179
Amount attributable to operating activities		<u>197,533</u>	<u>(899,423)</u>	<u>1,066,686</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,113,029	1,122,579	843,627
Proceeds from disposal of fixed assets	11(a)	309,453	302,000	214,652
Proceeds from financial assets at amortised cost - self supporting loans	17(b)	52,277	52,277	54,318
Purchase of property, plant and equipment	9(a)	(701,978)	(1,343,252)	(2,066,834)
Purchase and construction of infrastructure	10(a)	(1,883,002)	(2,017,005)	(3,738,905)
Amount attributable to investing activities		<u>(1,110,221)</u>	<u>(1,883,401)</u>	<u>(4,693,141)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	17(b)	(181,531)	(181,531)	(149,830)
Proceeds from borrowings	17(c)	0	0	1,700,000
Payments for principal portion of lease liabilities	12(a)	(131,451)	0	0
Transfers to reserves (restricted assets)	4	(316,340)	(317,296)	(322,187)
Transfers from reserves (restricted assets)	4	0	150,000	775,693
Amount attributable to financing activities		<u>(629,322)</u>	<u>(348,826)</u>	<u>2,003,676</u>
Surplus/(deficit) before imposition of general rates		<u>(1,542,011)</u>	<u>(3,131,650)</u>	<u>(1,622,778)</u>
Total amount raised from general rates	26(a)	3,189,086	3,131,650	3,027,127
Net current assets at 30 June c/fwd - surplus/(deficit)	27(b)	<u>1,647,080</u>	<u>0</u>	<u>1,404,349</u>

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

SHIRE OF KONDININ
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Note 1	Basis of Preparation	10
Note 2	Revenue and Expenses	11
Note 3	Cash and Cash Equivalents	16
Note 4	Reserves - Cash backed	17
Note 5	Trade and Other Receivables	18
Note 6	Inventories	19
Note 7	Other Assets	20
Note 8	Other Financial Assets	21
Note 9	Property, Plant and Equipment	22
Note 10	Infrastructure	24
Note 11	Fixed Assets	27
Note 12	Leases	29
Note 13	Revaluation Surplus	30
Note 14	Payables	31
Note 15	Contract Liabilities	31
Note 16	Lease Liabilities	32
Note 17	Information on Borrowings	33
Note 18	Employee Provisions	35
Note 19	Notes to the Statement of Cash Flows	36
Note 20	Total Assets Classified by Function and Activity	37
Note 21	Contingent Liabilities	37
Note 22	Commitments	37
Note 23	Related Party Transactions	38
Note 24	Joint Arrangements	40
Note 25	Major Land Transactions	40
Note 26	Rating Information	41
Note 27	Rate Setting Statement Information	43
Note 28	Financial Risk Management	44
Note 29	Trust Funds	47
Note 30	Events occurring after the end of the Reporting Period	47
Note 31	Initial Application of Australian Accounting Standards	48
Note 32	Change in Accounting Policies	50
Note 33	Other Significant Accounting Policies	52
Note 34	Activities/Programs	53
Note 35	Financial Ratios	54

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The Local Government (Financial Management) Regulations 1996 (FM Regs) take precedence over Australian Accounting Standards.

Prior to 1 July 2019, Regulation (Reg) 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

From 1 July 2019, the Shire has applied AASB 16 Leases which requires leases to be included by lessees in the balance sheet. Also, the FM regs have been amended to specify that vested land is right of use (ROU) asset to be measured at cost. All ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet) rather than at fair value. The exception is 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.

The Shire has accounted for the removal of the vested land values associated with golf course in Kondinin and Hyden by removing the land value and associated revaluation reserve as at 1 July 2019. The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded in the financial statements. A separate statement of those monies appears at Note 29 to these financial statements.

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependent 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	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates - general rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Service charges	Charge for specific service	Over time	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Grant contracts 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	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Fees and charges - pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annual fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Fees and charges - other inspections	Regulatory food, health and safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Fees and charges - waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
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	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and charges - property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction	On entry or at conclusion of hire
Fees and charges - memberships	Pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
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	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction	Output method based on goods
Fees and charges - fines	Fines issued for breaches of local laws	Single point in time	Payment in full with defined time	None	Adopted by council through local law	When taxable event occurs	Not applicable	When the notice is issued
Other revenue - commissions	Commissions on licencing	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Other revenue - reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	0	0	0
General purpose funding	2,179,793	1,266,352	2,209,832
Law, order, public safety	14,330	15,227	12,831
Community amenities	0	0	0
Recreation and culture	1,000	0	136
Transport	197,677	192,719	541,241
Economic services	267,497	260,000	237,220
Other property and services	67,242	70,000	70,757
	<u>2,727,538</u>	<u>1,804,298</u>	<u>3,072,018</u>
Non-operating grants, subsidies and contributions			
Education and welfare	283	0	120,000
Recreation and culture	50,055	60,000	373,877
Transport	1,001,380	1,001,268	349,750
Economic services	61,311	61,311	0
	<u>1,113,029</u>	<u>1,122,579</u>	<u>843,627</u>
Total grants, subsidies and contributions	<u><u>3,840,567</u></u>	<u><u>2,926,877</u></u>	<u><u>3,915,645</u></u>

Fees and charges

Governance	1,738	5,000	2,270
General purpose funding	7,895	1,738	38,122
Law, order, public safety	7,203	3,513	6,674
Health	41,616	35,300	49,456
Education and welfare	0	0	0
Housing	53,714	53,860	53,498
Community amenities	116,690	139,909	118,862
Recreation and culture	24,168	18,721	18,108
Transport	0	0	0
Economic services	278,667	312,995	318,014
Other property and services	230,731	408,568	273,082
	<u>762,423</u>	<u>979,604</u>	<u>878,086</u>

There were no changes to the amounts of fees or charges detailed in the original budget.

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licenses, sale of goods or information, fines, penalties and administration fees.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Contracts with customers and transfers for recognisable non-financial assets			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature and types of good and services.			
Operating grants, subsidies and contributions	452,719	452,719	656,219
Non-operating grants, subsidies and contributions	1,113,029	1,122,579	843,627
	1,565,748	1,575,298	1,499,846

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Contracts with customers included as a contract liability at the start of the period	0	0	0
Performance obligations satisfied in the previous year	0	0	0
Other revenue from contracts with customers recognised during the year	260,000	260,000	0
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	0	0	0
Other revenue from performance obligations satisfied during the year	1,305,748	1,315,298	0
	1,565,748	1,575,298	0

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers	0	0
Contract assets	0	0
Contract liabilities from contracts with customers	0	0
Financial assets held from transfers for recognisable financial assets	428,494	0
Contract liabilities from transfers for recognisable non financial assets	(428,494)	0

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

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

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

2 REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	3,189,086	3,131,650	3,027,127
Statutory permits and licences	758,126	976,388	873,742
Fines	4,297	3,216	4,344
	<u>3,951,509</u>	<u>4,111,254</u>	<u>3,905,213</u>

Other revenue

Reimbursements and recoveries	386,380	365,715	346,898
Other	64,203	613,889	403,675
	<u>450,583</u>	<u>979,604</u>	<u>750,573</u>

Interest earnings

Interest on reserve funds	28,814	59,538	35,573
Rates instalment and penalty interest (refer note 26(e))	31,213	15,000	24,118
Other interest earnings	13,859	76,500	47,772
	<u>73,887</u>	<u>151,038</u>	<u>107,462</u>

SIGNIFICANT ACCOUNTING POLICIES

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

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2020 Actual	2020 Budget	2019 Actual
Auditors remuneration				
- Audit of the Annual Financial Report		29,250	29,000	29,250
- Other services (Acquittals)		900	1,000	900
		30,150	30,000	30,150
Interest expenses (finance costs)				
Borrowings	17(b)	150,831	150,847	138,226
Lease liabilities	12(a)	4,801	0	0
		155,632	150,847	138,226

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		2,498,295	1,902,315
Term deposits		1,601,813	113,750
Total cash and cash equivalents		4,100,108	2,016,065
Other Financial assets at amortised cost - Term deposits	8(a)	0	1,175,035

Restrictions

The following classes of 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	2,008,495	18,600
- Other Financial assets at amortised cost	0	1,241,811
	2,008,495	1,260,411

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

Reserves - cash/financial asset backed	4	1,558,151	1,241,811
Contract liabilities from transfers for recognisable non financial assets	15	428,494	0
Bonds and deposits (restricted)	14	21,850	18,600
Total restricted assets		2,008,495	1,260,411

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

	2020		2020		2020		2020		2020		2020		2019		2019		
	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
	Opening	Transfer	Transfer	Opening	Opening	Transfer	Transfer	Closing	Opening	Opening	Transfer	Transfer	Opening	Transfer	Transfer	Closing	
	Balance	to	(from)	Balance	Balance	to	(from)	Balance	Balance	Balance	to	(from)	Balance	(from)	to	Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
4. RESERVES - CASH BACKED																	
(a) Leave Reserve	208,079	4,319	0	212,398	208,079	5,200	0	213,279	203,024	213,279	5,055	0	208,079	0	5,055	208,079	
(b) Plant Reserve	464,872	112,405	0	577,277	464,872	112,297	0	577,169	700,550	577,169	114,322	(350,000)	464,872		114,322	464,872	
(c) Housing Reserve	84,538	52,610	0	137,148	84,538	52,586	0	137,124	33,089	137,124	51,449	0	84,538		51,449	84,538	
(d) Tourism Development Reserve	113,750	34,790	0	148,539	113,750	34,882	0	148,632	79,248	148,632	34,502	0	113,750		34,502	113,750	
(e) Community Bus Reserve	49,354	1,010	0	50,364	49,354	1,224	0	50,578	48,150	50,578	1,204	0	49,354		1,204	49,354	
(f) Radio & TV Reserve	24,214	496	0	24,710	24,214	600	0	24,814	23,624	24,814	591	0	24,214		591	24,214	
(g) Karlgarin Bowling Green Reserve	0	0	0	0	0	0	0	0	110,505	0	391	(110,896)	0		391	0	
(h) Landfill Reserve	15,573	5,435	0	21,008	15,573	5,372	0	20,945	10,251	20,945	5,322	0	15,573		5,322	15,573	
(i) Kondinin Recreation Centre Reserve	0	0	0	0	0	0	0	0	311,560	0	3,237	(314,797)	0		3,237	0	
(j) Medical Services Reserve	76,021	1,394	0	77,415	76,021	1,900	0	77,921	74,119	77,921	1,902	0	76,021		1,902	76,021	
(k) Hyden Recreation Centre Reserve	205,409	103,882	0	309,291	205,409	103,234	(150,000)	158,643	101,197	158,643	104,212	0	205,409		104,212	205,409	
	1,241,811	316,340	0	1,558,151	1,241,811	317,296	(150,000)	1,409,106	1,695,317	1,409,106	322,187	(775,693)	1,241,811		322,187	1,241,811	

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

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

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

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

5. TRADE RECEIVABLES

(a) Current

	2020	2019
	\$	\$
Rates receivable	238,008	226,347
Sundry receivable	130,753	91,568
Allowance for impairment of receivables	(69,666)	(50,186)
GST receivable	35,215	50,375
	<u>334,309</u>	<u>318,105</u>

Movement of the allowance for impairment of receivables

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of period	50,186	48,313
Doubtful debts expense	19,481	2,963
Amounts written off during the period	0	(1,090)
Balance at end of period	<u>69,666</u>	<u>50,186</u>

(b) Non-current

Pensioner's rates and ESL deferred	0	0
	<u>0</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found on Note 28.

Classification and subsequent measurement

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

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

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

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

6. INVENTORIES

Current

Fuel and materials
 Land held for resale - cost
 Development costs

	2020	2019
	\$	\$
Fuel and materials	20,990	16,705
Land held for resale - cost		
Development costs	0	0
	<u>20,990</u>	<u>16,705</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 2020

7. OTHER ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
Other current assets		
Prepayments	4,258	4,165
Accrued income	<u>7,277</u>	<u>0</u>
	<u>11,535</u>	<u>4,165</u>

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

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

8. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
(a) Current assets		
Other financial assets at amortised cost	54,173	1,227,312
	<u>54,173</u>	<u>1,227,312</u>
Other financial assets at amortised cost		
Term deposits	0	1,175,035
Self supporting loans	54,173	52,277
	<u>54,173</u>	<u>1,227,312</u>
(b) Non-current assets		
Other financial assets at amortised cost	271,331	325,504
Financial assets at fair value through profit and loss	53,416	52,551
Available for sale financial assets	0	0
Other loans and receivables	0	0
	<u>324,746</u>	<u>378,055</u>
Other financial assets at amortised cost		
Self supporting loans	271,331	325,504
	<u>271,331</u>	<u>325,504</u>
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	53,416	52,551
	<u>53,416</u>	<u>52,551</u>

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

Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services.	864	49,551
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----	--------

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 17(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - vested in Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Buildings - specialised	Total	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,030,459	450,000	1,480,459	6,018,057	12,204,414	18,222,471	19,702,930	370,695	2,032,827	22,106,452
Additions	0	0	0	66,896	1,325,792	1,392,688	1,392,688	5,500	668,646	2,066,834
(Disposals)	0	0	0	0	0	0	0	0	(242,844)	(242,844)
Revaluation increments/ (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	(87,891)	691,105	603,214
Write-off	0	0	0	0	0	0	0	0	(11,576)	(11,576)
Depreciation (expense)	0	0	0	(201,784)	(505,642)	(707,426)	(707,426)	(59,464)	(362,559)	(1,149,448)
Transfers	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	5,883,169	13,024,564	18,907,733	20,388,192	228,840	2,755,600	23,372,632
Comprises:										
Gross carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	6,269,727	13,986,558	20,256,285	21,736,744	230,878	2,783,604	24,751,226
Accumulated depreciation at 30 June 2019	0	0	0	(386,558)	(961,994)	(1,348,552)	(1,348,552)	(2,038)	(28,004)	(1,378,594)
Accumulated impairment loss at 30 June 2019	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2019	1,030,459	450,000	1,480,459	5,883,169	13,024,564	18,907,733	20,388,192	228,840	2,755,600	23,372,632
Change in accounting policy (Note 32)	0	(450,000)	(450,000)	0	0	0	(450,000)	0	0	(450,000)
Restated carrying amount at 1 July 2019	1,030,459	0	1,030,459	5,883,169	13,024,564	18,907,733	19,938,192	228,840	2,755,600	22,922,632
Additions	0	0	0	283	1,952	2,235	2,235	43,278	690,115	735,628
(Disposals)	0	0	0	0	0	0	0	0	(412,112)	(412,112)
Revaluation increments/ (decrements) transferred to revaluation surplus	(132,350)	0	(132,350)	996,244	3,934,627	4,930,871	4,798,521	0	0	4,798,521
Adjustment for expenditure incorrectly capitalised in prior year	0	0	0	0	(93,650)	(93,650)	(93,650)	0	0	(93,650)
Depreciation (expense)	0	0	0	(204,034)	(561,778)	(765,812)	(765,812)	(25,471)	(366,889)	(1,160,172)
Carrying amount at 30 June 2020	898,109	0	898,109	6,675,662	16,365,715	23,041,376	23,939,485	246,647	2,664,714	26,850,846
Comprises:										
Gross carrying amount at 30 June 2020	898,109	0	898,109	6,675,662	16,365,715	23,041,376	23,939,485	274,156	3,033,998	27,247,639
Accumulated depreciation at 30 June 2020	0	0	0	0	0	0	0	(27,509)	(369,284)	(396,793)
Accumulated impairment loss at 30 June 2020	0	0	0	0	0	0	0	0	0	0
Carrying amount at 30 June 2020	898,109	0	898,109	6,675,662	16,365,715	23,041,376	23,939,485	246,647	2,664,714	26,850,846

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique with restrictions	Basis of Valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2020	Price per hectare / market borrowing rate
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2020	Price per square metre / 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

Furniture and equipment

- Independent valuation 2019	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2019	Market price per item
- Management valuation 2019	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs
Plant and equipment					
- Independent valuation 2019	2	Market approach using recent observable market data for similar assets	Independent registered valuer	June 2019	Market price per item
- Management valuation 2019	3	Cost approach using depreciated replacement cost	Management valuation	June 2019	Purchase costs and current condition, residual values and remaining useful life assessments inputs

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

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

Following a change to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks & ovals	Infrastructure - other	Total Infrastructure
Balance at 1 July 2018	\$ 123,097,343	\$ 354,000	\$ 286,335	\$ 383,586	\$ 5,870,637	\$ 129,991,901
Additions	2,093,646	186,694	1,173,213	0	285,352	3,738,905
Revaluation increments/(decrements) transferred to revaluation surplus	0	0	0	0	0	0
Revaluation (loss)/reversals transferred to profit or loss	0	0	0	0	0	0
Depreciation (expense)	(1,455,722)	(12,716)	(11,841)	(25,852)	(346,694)	(1,852,824)
Transfers	0	0	0	0	0	0
Carrying amount at 30 June 2019	123,735,267	527,978	1,447,707	357,734	5,809,296	131,877,982
Comprises:						
Gross carrying amount at 30 June 2019	125,190,988	540,694	1,459,548	383,586	6,155,990	133,730,806
Accumulated depreciation at 30 June 2019	(1,455,722)	(12,716)	(11,841)	(25,852)	(346,694)	(1,852,824)
Carrying amount at 30 June 2019	123,735,267	527,978	1,447,707	357,734	5,809,296	131,877,982
Additions	1,576,602	130,420	0	58,074	117,906	1,883,002
Depreciation (expense)	(1,481,245)	(18,552)	(26,976)	(21,852)	(366,587)	(1,915,212)
Carrying amount at 30 June 2020	123,830,624	639,847	1,420,731	393,956	5,560,615	131,845,773
Comprises:						
Gross carrying amount at 30 June 2020	126,767,590	671,115	1,459,548	441,660	6,273,896	135,613,808
Accumulated depreciation at 30 June 2020	(2,936,967)	(31,268)	(38,816)	(47,704)	(713,281)	(3,768,035)
Carrying amount at 30 June 2020	123,830,624	639,847	1,420,731	393,956	5,560,615	131,845,773

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Independent valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Independent valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Independent valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Independent valuers	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - other	3	Cost approach using depreciated replacement cost	Independent valuers & Management valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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, infrastructure and investment 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.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

Whilst such treatment is inconsistent with the requirements of *AASB 1051, Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the Shire.

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 12 that details the significant accounting policies applying to leases (including right of use assets).

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

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment	412,112	309,453	0	(102,659)	492,401	302,000	0	(190,401)	242,844	214,652	10,000	(38,191)
	412,112	309,453	0	(102,659)	492,401	302,000	0	(190,401)	242,844	214,652	10,000	(38,191)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$
Plant and Equipment				
Governance				
Toyota Prado - 0KN	46,992	46,591	0	(401)
Holden Trailblazer - 0KN	33,100	29,545	0	(3,554)
Transport				
John Deere 670G - KN65	189,221	125,000	0	(64,221)
Howard Porter S/T - KN2106	42,905	25,817	0	(17,088)
Volvo L70C 4 Loader - KN68	48,204	35,000	0	(13,204)
Other property and services				
Toyota Prado - KN49	51,691	47,500	0	(4,191)
Subaru Forester - KN54				
	412,112	309,453	0	(102,659)

(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.

	2020	2019
	\$	\$
Furniture and equipment	26,041	26,041
Plant and equipment	0	0
	26,041	26,041

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

(c) Depreciation	2020	2020	2019
	Actual	Budget	Actual
	\$	\$	\$
Buildings-non-specialised	204,034	211,228	201,784
Buildings-specialised	561,778	529,307	505,642
Furniture and equipment	25,471	65,997	59,464
Plant and equipment	368,889	405,936	382,558
Infrastructure - Roads	1,481,245	1,534,289	1,455,722
Infrastructure - Footpaths	18,552	12,861	12,716
Infrastructure - Drainage	26,976	11,995	11,841
Infrastructure - Parks and ovals	21,852	27,469	25,853
Infrastructure - Other	366,587	364,102	346,694
Right of use assets (refer Note 12(a))	133,028	0	0
	3,208,412	3,163,184	3,002,272

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 years
seal	
- bituminous seal	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	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 reamaining lease

Depreciation on revaluation

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

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and carrying amount of the asset taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

12. 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
	\$	\$
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	302,044	302,044
Restated total equity at the beginning of the financial year	302,044	302,044
Additions	0	0
Depreciation (expense)	(133,028)	(133,028)
Carrying amount at 30 June 2020	169,015	169,015
Cash outflow from leases		
Interest expense on lease liabilities	4,801	4,801
Lease principal expense	131,451	131,451
Total cash outflow from leases	136,252	136,252
Other expenses relating to leases		
Expenses for lease payment not recognised as a liability	2,743	2,743
	2,743	2,743

The Shire has 5 leases relating to plant and equipment. The lease term for all leases is 5 years. The measurement of lease liabilities does not include any future cash outflows associated with leases not yet commenced to which the Shire is committed.

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.

Leases for right-of-use assets are secured over the asset being leased.

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 11 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.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

13. REVALUATION SURPLUS

	2020		2020		2020		2020		2020		2020		2020		2020		2020		2020			
	Opening Balance	Change in Accounting Policy Note 32(a)	Restated Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on Revaluation	Closing Balance	2020 Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on Revaluation	Closing Balance	2020 Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on Revaluation	Closing Balance	2020 Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on Revaluation	Closing Balance
Revaluation surplus - Land - freehold land	70,475	0	70,475	232,250	(364,600)	(61,875)	70,475	0	0	0	(61,875)	70,475	0	0	0	0	70,475	0	0	0	0	70,475
Revaluation surplus - Land - vested in and under the control of Council	450,000	(450,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Buildings - non-specialised	44,260,828	0	44,260,828	1,386,664	(390,420)	996,244	44,260,828	1,386,664	(390,420)	996,244	45,257,072	44,260,828	0	0	0	0	44,260,828	44,260,828	0	0	0	44,260,828
Revaluation surplus - Buildings - specialised	576,739	0	576,739	4,336,609	(401,982)	3,834,628	576,739	4,336,609	(401,982)	3,834,628	4,511,367	576,739	0	0	0	0	576,739	576,739	0	0	0	576,739
Revaluation surplus - Furniture and equipment	40,444	0	40,444	0	0	0	40,444	0	0	0	40,444	128,335	23,540	(111,431)	(87,891)	40,444	40,444	128,335	23,540	(111,431)	(87,891)	40,444
Revaluation surplus - Plant and equipment	1,897,724	0	1,897,724	0	0	0	1,897,724	0	0	0	1,897,724	1,206,619	704,717	(13,612)	691,105	1,897,724	1,897,724	1,206,619	704,717	(13,612)	691,105	
Revaluation surplus - Infrastructure - Roads	77,728,239	0	77,728,239	0	0	0	77,728,239	0	0	0	77,728,239	77,728,239	0	0	0	77,728,239	77,728,239	77,728,239	0	0	0	
Revaluation surplus - Infrastructure - Footpaths	(2,476)	0	(2,476)	0	0	0	(2,476)	0	0	0	(2,476)	(2,476)	0	0	0	(2,476)	(2,476)	(2,476)	0	0	0	
Revaluation surplus - Infrastructure - Drainage	(2,851)	0	(2,851)	0	0	0	(2,851)	0	0	0	(2,851)	(2,851)	0	0	0	(2,851)	(2,851)	(2,851)	0	0	0	
Revaluation surplus - Infrastructure - Parks and Gardens	114,768	0	114,768	0	0	0	114,768	0	0	0	114,768	114,768	0	0	0	114,768	114,768	114,768	0	0	0	
Revaluation surplus - Infrastructure - Other	2,864,793	0	2,864,793	0	0	0	2,864,793	0	0	0	2,864,793	2,864,793	0	0	0	2,864,793	2,864,793	2,864,793	0	0	0	
	127,998,683	(450,000)	127,548,683	5,955,523	(1,157,002)	4,798,522	127,548,683	5,955,523	(1,157,002)	4,798,522	132,347,204	127,395,469	728,257	(125,043)	603,214	127,998,683	127,998,683	127,395,469	728,257	(125,043)	603,214	127,998,683

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

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors	229,225	288,388
Accrued interest on long term borrowings	35,248	36,926
Accrued salaries and wages	62,243	55,294
ATO liabilities (PAYG Tax)	38,268	36,355
Accrued Expenses	83,307	39,076
Bonds and deposits	21,850	18,600
	<u>470,141</u>	<u>474,638</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

	2020	2019
	\$	\$
	229,225	288,388
	35,248	36,926
	62,243	55,294
	38,268	36,355
	83,307	39,076
	21,850	18,600
	<u>470,141</u>	<u>474,638</u>

Trade and other payables (Continued)

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

15. CONTRACT LIABILITIES

Current

Contract liabilities from contracts with customers	0	0
Contract liabilities from transfers for recognisable non financial assets	428,494	0
	<u>428,494</u>	<u>0</u>

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 are recognised as revenue when the performance obligations in the contract are satisfied.

With respect to transfers for recognisable non-financial assets, contract liabilities represent performance obligations which are not yet satisfied.

	2020	2019
	\$	\$
	0	0
	428,494	0
	<u>428,494</u>	<u>0</u>

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

16. LEASE LIABILITIES

	2020	2019
(a) Lease liabilities	\$	\$
Current	134,080	0
Non-current	36,513	0
	170,592	0

Movements in carrying amounts

Purpose	Lease No.	Institution	Lease Interest Rate	Lease Principal 1 July 2019	New Leases		Principal Repayments		Principal Outstanding		Interest Repayments	
					Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Transport				\$	\$	\$	\$	\$	\$	\$	\$	\$
KN62	400172MB	Mercedes Benz Leasing	2.0%	69,376	0	0	30,453	0	38,923	0	1,100	0
KN77	400171MB	Mercedes Benz Leasing	2.0%	68,241	0	0	29,955	0	38,286	0	1,082	0
KN58	401041MB	Mercedes Benz Leasing	2.0%	68,241	0	0	29,951	0	38,290	0	1,085	0
KN89	400172MB	Mercedes Benz Leasing	2.0%	25,741	0	0	11,299	0	14,442	0	408	0
KN59	400172MB	Mercedes Benz Leasing	2.0%	70,445	0	0	29,793	0	40,652	0	1,127	0
Total				302,044	0	0	131,451	0	170,592	0	4,801	0

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

17. INFORMATION ON BORROWINGS (Continued)

(c) **New Borrowings - 2019/20 - NIL**
 (2018/19 - \$1,700,000 for townsite drainage)

(d) **Unspent Borrowings** NIL NIL

(e) Undrawn Borrowing Facilities	2020	2019
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	(611)	(330)
Total amount of credit unused	269,389	269,670
 Loan facilities		
Loan facilities - current	188,780	181,531
Loan facilities - non-current	2,913,890	3,102,670
Total facilities in use at balance date	3,102,670	3,284,201
 Unused loan facilities at balance date	NIL	NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 28.

18. EMPLOYEE RELATED PROVISIONS

	2020 Actual \$	2019 Actual \$
Current		
<u>Employee benefits provisions</u>		
Annual leave	201,725	199,152
Long service leave	161,352	210,124
	<u>363,076</u>	<u>409,276</u>
Non-current		
<u>Employee benefits provisions</u>		
Long service leave	32,600	40,325
Total employee related provisions	<u>395,676</u>	<u>449,600</u>

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

	2020 \$	2019 \$
Within 12 months of the end of the reporting period	121,033	119,491
More than 12 months after the end of the reporting period	80,692	79,661
	<u>201,725</u>	<u>199,152</u>

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

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

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

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

	2020 \$	2019 \$
Within 12 months of the end of the reporting period	66,628	91,531
More than 12 months after the end of the reporting period	127,323	158,917
	<u>193,951</u>	<u>250,448</u>

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

19. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	4,100,108	1,920,871	2,016,064

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	(207,181)	(1,417,702)	288,851
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	(864)	0	(49,551)
Depreciation	3,208,412	3,163,184	3,002,272
(Profit)/loss on sale of asset	102,659	190,401	28,191
Fair value adjustments to fixed assets at fair value through profit or loss	0	0	0
Loss on revaluation of fixed assets	0	0	0
Assets written off	0	0	11,576
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(16,204)	(82,953)	148,317
(Increase)/decrease in other assets	(7,370)	0	(3,515)
(Increase)/decrease in inventories	(4,285)	0	24,542
Increase/(decrease) in payables	(4,496)	157,232	(154,221)
Increase/(decrease) in contract liability	428,494	0	0
Increase/(decrease) in provisions	(53,924)	(74,279)	22,665
Non-operating Grants and contributions for the development of assets	(1,113,029)	(1,062,579)	(1,083,627)
Net cash from operating activities	2,332,212	873,305	2,235,500

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2020</u>	<u>2019</u>
	\$	\$
Governance	1,021,846	943,644
Law, order, public safety	523,800	451,982
Health	949,255	720,100
Education and welfare	2,255,858	1,677,739
Housing	3,473,995	3,379,518
Community amenities	828,162	737,568
Recreation and culture	17,277,640	14,525,317
Transport	126,249,426	126,108,959
Economic services	1,817,270	1,748,882
Other property and services	3,678,979	3,507,198
Unallocated	5,635,262	5,410,114
	<u>163,711,495</u>	<u>159,211,021</u>

21. CONTINGENT LIABILITIES

The Shire has no contingent liability as at reporting date.

22. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

	<u>2020</u>	<u>2019</u>
	\$	\$
Contracted for:		
- capital expenditure projects	0	25,779
- plant & equipment purchases	0	0
Payable:		
- not later than one year	0	25,779

The Shire has no capital commitment as at the end of reporting date.

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

23. RELATED PARTY TRANSACTIONS

(a) Elected Members Remuneration

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting fees	23,572	30,000	27,790
President's allowance	12,000	12,000	12,000
Travelling expenses	5,089	8,500	8,847
Telecommunications allowance	480	0	0
	41,142	50,500	48,637

(b) Key Management Personnel (KMP) Compensation Disclosure

	2020 Actual	2019 Actual
	\$	\$
The total remuneration for KMP of the Shire during the year are as follows:		
Short-term employee benefits	467,427	552,791
Post-employment benefits	55,021	68,572
Other long-term benefits	53,859	77,834
	576,307	699,197

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service benefits accruing during the year.

23. RELATED PARTY TRANSACTIONS (continued)

(c) The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	0	0
Purchase of goods and services from kmp	0	5,505
Purchase of goods and services from close family member of kmp	0	7,551
Contribution expense to RoeROC	56,205	49,218
 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	154	1,083

Related Parties

The Shire's main related parties are as follows:

- i. Key management personnel*
 Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.
- ii. Other Related Parties*
 The associate person of KMP was employed by the Shire under normal employment terms and conditions
- iii. Entities subject to significant influence by the Shire*
 An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

24. JOINT ARRANGEMENTS

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

	2020	2019
	\$	\$
Non-current assets		
Land - Independent valuation - 2020	60,000	0
Cost	0	15,750
Less: accumulated depreciation	0	0
	60,000	15,750
Light vehicle	7,659	7,804
Less: accumulated depreciation	(760)	(1,951)
	6,899	5,853
Other Infrastructure - Independent valuation - 2018	138,400	138,400
Cost	0	0
Less: accumulated depreciation	(21,527)	(10,763)
	116,873	127,637

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

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

Interests in joint arrangements (Continued)

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

25. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2019/20 financial year.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

26. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20		2019/20		2019/20		2019/20		2019/20		2019/20		2018/19	
			Actual Rateable Value	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Budget Total Revenue	Actual Total Revenue			
Differential general rate / general rate																
Gross rental value valuations																
GRV - Residential	0.122465	301	2,537,400	310,742	0	0	0	0	0	310,742	310,743	0	0	310,743	304,862	
GRV - Mining	0.244391	4	1,046,750	255,816	0	0	0	0	0	255,816	255,816	0	0	255,816	249,838	
Unimproved value valuations																
UV - Mining	0.291498	109	2,667,412	777,545	24,670	0	0	0	0	802,215	742,738	0	0	742,738	723,344	
UV - Rural	0.016010	371	117,544,100	1,881,880	1,917	0	0	0	0	1,883,797	1,881,881	0	0	1,881,881	1,812,116	
Sub-Total		785	123,795,662	3,225,983	26,587	0	0	0	0	3,252,571	3,191,178	0	0	3,191,178	3,090,160	
Minimum payment																
Gross rental value valuations																
GRV - Residential	435	44	43,750	19,360	0	0	0	0	0	19,360	19,360	0	0	19,360	19,140	
Unimproved value valuations																
UV - Mining	435	31	79,945	13,640	0	0	0	0	0	13,640	11,440	0	0	11,440	7,830	
UV - Rural	435	22	474,300	9,680	0	0	0	0	0	9,680	9,680	0	0	9,680	8,700	
Sub-Total		97	597,995	42,680	0	0	0	0	0	42,680	40,480	0	0	40,480	35,670	
Discounts/concessions (refer note 26(d))										3,295,251				3,231,668	3,125,831	
Total amount raised from general rate										(139,304)				(130,008)	(130,695)	
Specified Area Rate (refer note 26(b))										3,155,947				3,101,650	2,995,136	
Ex Gratia Rate										0				0	0	
Totals										33,139				30,000	31,991	
										3,189,086				3,131,650	3,027,127	

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

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.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

26. RATING INFORMATION (Continued)

(b) Specified Area Rate

The Shire has not imposed any specified area rate for 2019/2020.

(c) Service Charges

The Shire has not imposed any service charges for 2019/2020.

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

Rates Discounts

Rate or Fee Discount Granted	Discount	2020 Actual	2020 Budget	2019 Actual	Circumstances in which Discount is Granted
	%	\$	\$	\$	
General rates	5	139,174	129,878	130,570	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	130	130	125	
		<u>139,304</u>	<u>130,008</u>	<u>130,695</u>	

Waivers or Concessions

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

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Unpaid Rates Interest Rate	Instalment Plan Interest Rate
		\$	%	%
Option One				
Single full payment	1/10/2019	0	10	5
Option Two				
First instalment	1/10/2019	0	10	5
Second instalment	2/12/2019	10	10	5
Third instalment	3/02/2020	10	10	5
Fourth instalment	3/04/2020	10	10	5
Option Three				
First instalment	1/10/2019	0	10	5
Second instalment	3/04/2020	10	10	5
		2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
Interest on unpaid rates		27,582	12,000	20,898
Interest on instalment plan		3,630	3,000	3,221
Charges on instalment plan		1,530	2,000	1,800
		<u>32,743</u>	<u>17,000</u>	<u>25,918</u>

27. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 Carried Forward) \$	2019/20 Budget (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Carried Forward) \$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	11(a) 0	0	(10,000)
Less: Fair value adjustments to financial assets at fair value	8(b) (864)	0	(49,551)
Movement in employee benefit provisions (non-current)	(7,724)	0	(17,733)
Add: Loss on disposal of assets	11(a) 102,659	190,401	38,191
Add: Depreciation of assets	11(c) 3,208,412	3,163,184	3,002,272
Non cash amounts excluded from operating activities	3,302,482	3,353,585	2,963,179
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Surplus/(deficit) after imposition of general rates			
Less: Reserves - restricted cash	3 (1,558,151)	(1,409,106)	(1,241,811)
Less: Financial assets at amortised cost - self supporting loans	8(a) (54,173)	(52,277)	(52,277)
Add: Current portion of long-term borrowings	17(a) 188,780	188,780	181,531
Add: Current portion of lease liabilities	16(a) 134,080	0	0
Total adjustments to net current assets	(1,289,465)	(1,272,603)	(1,112,557)
Net current assets used in the Rate Setting Statement			
Total current assets	4,521,115	2,375,121	3,582,351
Less: Total current liabilities	(1,584,571)	(1,102,518)	(1,065,445)
Less: Total adjustments to net current assets	(1,289,465)	(1,272,603)	(1,112,557)
Net current assets used in the Rate Setting Statement	1,647,080	0	1,404,350

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

28. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.40%	4,100,108	4,096,257	0	3,851
2019					
Cash and cash equivalents	0.21%	2,016,064	2,012,213	0	3,851
Financial assets at amortised cost - term deposits	2.40%	1,175,035	1,175,035	0	0

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

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each may be found at Note 17(b).

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

28. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. 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 effects of COVID-19 needs to be considered. Financial assistance provided to ratepayers is expected to adversely affect the Shire's cash flows.

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 2019 or 1 July 2020 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 2020 for rates receivable was determined as follows and takes into account the waiver of penalty interest due to the impact of COVID-19.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	32.98%	7.80%	10.16%	30.50%	
Gross carrying amount	158,650	27,980	13,966	37,411	238,008
Loss allowance	52,330	2,182	1,420	11,412	67,344
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	1.00%	6.83%	53.41%	
Gross carrying amount	6,023	90,099	48,130	82,095	226,347
Loss allowance	0	898	3,289	43,843	48,030

The loss allowance as at 30 June 2020 and 30 June 2019 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
30 June 2020					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	5.31%	
Gross carrying amount*	84,975	545	1,491	43,742	130,753
Loss allowance	0	0	0	2,323	2,323
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	8.54%	
Gross carrying amount*	57,103	9,230	0	25,235	91,568
Loss allowance	0	0	0	2,156	2,156

*Excludes GST receivable from the ATO.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

28. 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 17(e).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables*	440,638	0	0	440,638	440,638
Lease liabilities	134,080	36,513	0	170,592	170,592
Borrowings	312,848	1,203,011	2,670,965	4,186,824	3,102,670
	<u>887,566</u>	<u>1,239,524</u>	<u>2,670,965</u>	<u>4,798,054</u>	<u>3,713,900</u>
2019					
Payables*	461,387	0	0	461,387	461,387
Borrowings	312,848	1,232,784	2,954,040	4,499,672	3,284,201
	<u>774,235</u>	<u>1,232,784</u>	<u>2,954,040</u>	<u>4,961,059</u>	<u>3,745,588</u>

*Excludes GST payable to ATO.

SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

29. TRUST FUNDS

In previous years bonds and deposits were held as trust monies. 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 14.

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

30. EVENTS OCCURRING AFTER THE END OF REPORTING PERIOD

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. There was no material impact on the adoption of the new standard.

(b) AASB 1058: Income For Not-For-Profit Entities

The Shire adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements. There was no material impact on the adoption of the new standard.

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

Volunteer Services in relation to Fire Services were not recognised as the fair value of the services can't be reliably estimated.

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

	Note	2020 \$ As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	26(a)	3,189,086	0	3,189,086
Operating grants, subsidies and contributions	2(a)	2,727,538	0	2,727,538
Fees and charges	2(a)	762,423	0	762,423
Non-operating grants, subsidies and contributions	2(a)	1,113,029	428,494	1,541,523
Net result		(207,181)	428,494	221,313
Statement of Financial Position				
Contract assets		0	0	0
Trade and other payables	14	470,141	0	470,141
Contract liabilities	15	428,494	(428,494)	0
Net assets		159,143,921	428,494	159,572,415
Statement of Changes in Equity				
Net result		(207,181)	428,494	221,313
Retained surplus		25,238,566	428,494	25,667,060

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(c) AASB 16: Leases

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

On adoption of AASB 16, the Shire recognised lease liabilities in relation to leases which had previously been classified as an 'operating' lease applying AASB 117 (excluding short term and low value leases). These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2%.

	Note	2020
		\$
Operating lease commitments at 30 June 2019 applying AAS 117		309,144
Discount applied using incremental borrowing rate		(7,101)
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 2%	16(a)	302,044
Lease liability - current		131,451
Lease liability - non-current		170,592
Right-of-use assets recognised at 1 July 2019		302,044

On adoption of AASB 16, the Shire recognised a right-of-use asset in relation to leases which had previously been classified as 'operating' lease applying AASB 117. The right-of-use asset is deemed to be equal to the lease liability adjusted to the amount of any prepaid or accrued lease payments. Property, plant and equipment and lease liabilities increased by \$302,044 on 1 July 2019 resulting in no impact on retained surplus.

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

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.
 - The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(d) Impact of New Accounting Standards on Retained Surplus

The impact on the Shire's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019
		\$	\$
Retained surplus - 30 June 2019			25,762,087
Adjustment to retained surplus from adoption of AASB 15	31(a)	0	
Adjustment to retained surplus from adoption of AASB 16	31(c)	0	
Adjustment to retained surplus from adoption of AASB 1058	31(b)	0	0
Retained surplus - 1 July 2019			25,762,087

**SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

32. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16. For further details relating to these changes, refer to Note 11.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019	Adjustment	Carrying amount 01 July 2019
		\$	\$	\$
Property, plant and equipment	9(a)	23,372,632	(450,000)	22,922,632
Revaluation surplus	13	127,998,683	(450,000)	127,548,683

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

**SHIRE OF KONDININ
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

32. CHANGE IN ACCOUNTING POLICIES (Continued)

(b) Changes in equity due to change in accounting policies

The impact on the Shire's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019
Retained surplus - 30 June 2019			\$ 25,762,087
Adjustment to retained surplus from adoption of AASB 15	31(a)	0	
Adjustment to retained surplus from adoption of AASB 1058	31(b)	0	
Retained surplus - 1 July 2019			<u>25,762,087</u>

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019
Revaluation surplus - 30 June 2019			\$ 127,998,683
Adjustment to revaluation surplus from deletion of FM Reg 16	13	(450,000)	
Adjustment to revaluation surplus from deletion of FM Reg 17	13	0	
Revaluation surplus - 1 July 2019			<u>127,548,683</u>

33. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

34. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES
GOVERNANCE

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

ACTIVITIES

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

GENERAL PURPOSE FUNDING

To collect revenue to allow the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide operational framework for environmental and community health.

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

EDUCATION AND WELFARE

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

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

HOUSING

To provide and maintain staff housing.

Provision and maintenance of staff accommodation.

COMMUNITY AMENITIES

To provide services required by the community.

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

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

ECONOMIC SERVICES

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

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

OTHER PROPERTY AND SERVICES

To monitor and control operating accounts.

Private works operation, plant repair and costs.

SHIRE OF KONDININ
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

35. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.83	2.69	1.79
Asset consumption ratio	0.98	0.98	0.99
Asset renewal funding ratio	0.98	0.99	N/A
Asset sustainability ratio	0.82	1.93	1.33
Debt service cover ratio	4.32	8.79	8.39
Operating surplus ratio	(0.30)	(0.13)	(0.24)
Own source revenue coverage ratio	0.53	0.56	0.59

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Kondinin

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Kondinin which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the *Local Government (Financial Management) Regulations 1996* (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past three years. The financial ratios are reported in Note 35 of the financial report.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:
 - a. For approximately 58% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This practice increases the risk of fraud or favoritism of suppliers and not obtaining value for money.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Kondinin for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



SUBHA GUNALAN
ACTING SENIOR DIRECTOR FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
14 December 2020

